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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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16 May 1985

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

REORGANIZATION OF CEMA COUNCIL STRUCTURE DISCUSSED

Prague SVET HOSPODARSTVI in Czech No 26, 1985 p 1

[Article by Lubomira Cizova: "Key Significance of Mechanical Engineering"]

[Text] The current high level of economic development of fraternal countries and their attendant demanding tasks call for improving their multilateral cooperation within CEMA. As is noted in the resolutions of the Moscow economic conference at the highest level, "fraternal CEMA countries deem it under the current conditions necessary to make the cooperation mechanism within CEMA more effective to make it commensurate with the tasks of continuous improvements in international and socialist division of labor and its improved effectiveness, timely dealing with urgent problems and promoting the interest of CEMA member countries in giving priority to the development of mutual cooperation."

The key element of CEMA countries' economic strategy for the nearest future must become a set of measures designed to accelerate R&D progress. A highly topical task also is assuring the technoeconomical invulnerability of the community and providing adequate industrial consumer goods and foodstuffs in the required structure of their assortment.

All of the preceding--be it directly or indirectly--pose extraordinary demands on the production of modern machinery and equipment. It is specifically in this sphere, particularly in its most viable sectors that the dynamism of the growth of social productivity of labor is being decided.

The Moscow economic conference resolved that cooperation in mechanical engineering is to be comprehensive and will be oriented primarily toward providing of machinery and equipment of high quality and at worldwide technical level. Member countries are to produce not only finished products, but also their parts and assemblies and fully back up all mutually delivered technology with spare parts. Particular attention will be devoted herein to the development of electronics, microprocessor technology and robotics.

Among other things, implementation of this task calls for improving the organization of multilateral cooperation in mechanical engineering. At the

39th CEMA Plenum it was therefore decided to form a CEMA council for cooperation in mechanical engineering. This at the same time did away with the permanent committee for cooperation in mechanical engineering that was formed in 1956 on the basis of a resolution of the Seventh CEMA Plenum in Berlin and the structure of CEMA organs changed as well.

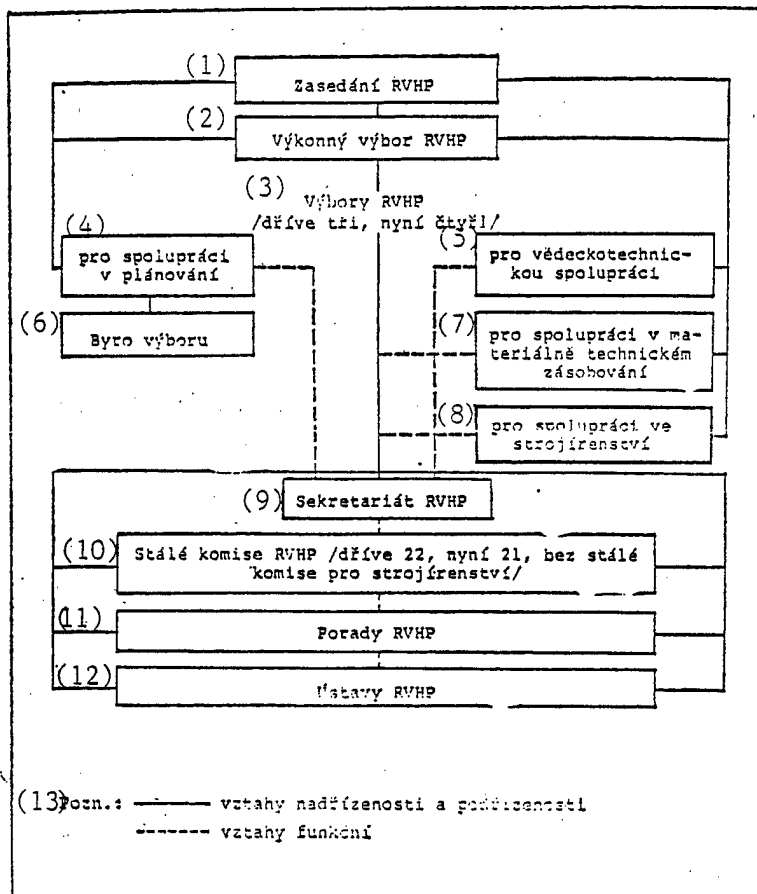
The last plenum (93rd in sequence) of the former CEMA permanent committee for mechanical engineering took place on 4 February 1985 in Moscow. Its participants highly praised the committee's activities as well as its share in developing cooperation of CEMA countries in mechanical engineering. The agenda included conclusion of agreements about multilateral cooperation of CEMA member countries in robotics and microprocessor technology. In addition, the committee approved proposals related to meeting the program of R&D cooperation in turning out unified modules and industrial robots until 1990 and discussed other topical problems.

Immediately thereafter, on 5 and 6 February, the first session of the newly formed CEMA council for cooperation in mechanical engineering took place in the presence of representatives of all CEMA member countries and Yugoslavia. Its agenda included the statute, organizational problems and a plan of operations for the years 1985-1986. Particular attention was devoted by delegations to meeting of the most important tasks of multilateral cooperation in mechanical engineering with emphasis on the need for attaining high quality and high technical level of production.

Change in the structure of CEMA organs in favor of mechanical engineering problems denotes that problems of multilateral cooperation in this sector will be dealt with in the future on a qualitatively higher level. As was pointed out in an interview with a CTK [Czechoslovak Press Bureau] in Moscow by the leader of the Czechoslovak delegation to the council plenum, Deputy Premier of the CSSR Government Ladislav Gerle, the council's task will be development and promotion of specialization and cooperation in production with systematic utilization of the latest R&D findings. Mechanical engineering must fully meet not only the increasing needs of other branches of the national economy, but also those of mechanical engineering production itself. That calls for higher efficiency and modernization.

At the present time CEMA member countries are meeting primarily the tasks of the long-term goal-oriented program of cooperation in production of machinery and equipment. This DCPS [long-term goal-oriented program of cooperation] was approved by the 32nd CEMA Plenum in Bucharest in 1978. For the period up to 1990 the program envisions stable international specialization and cooperation in production and increased deliveries of mechanical engineering production. CSSR participates in implementation of 39 of the total number of 40 tasks agreed upon. Specialization and cooperation now include more than 10,000 new types of machinery, equipment and instruments. They are regulated by 120 multilateral and more than 1,000 bilateral agreements. The key position is held herein by machinery and equipment for fuel, energy and raw material sectors. For example, seven CEMA countries and Yugoslavia signed an agreement regarding multilateral specialization and cooperation in production and mutual deliveries of

New structure of CEMA organs



- | | |
|-----------------------------------|---|
| Key: 1. CEMA Plenum | 7. For cooperation in distrubution |
| 2. CEMA Executive Council | 8. For cooperation in mechanical eng. |
| 3. CEMA Councils (form. 3, now 4) | 9. CEMA Secretariat |
| 4. For cooperation in planning | 10. Permanent CEMA committees (form. 22, now 21, w/o perm. com. for mech. eng.) |
| 5. For cooperation in R&D | 11. CEMA Consultations |
| 6. Council bureau | 12. CEMA Institutes |

Note: ——— superiority and subordination relations
 ----- functional relations

systems for nuclear power plants for the period until 1990. A long-term program for production of systems for secondary processing of crude oil should be instrumental in providing improved supplies of automotive fuels for CEMA member countries.

Many other agreements in mechanical engineering concern production of environmental protection systems. Among them are plans for modern waste water treatment plants, production of machinery for the consumer goods industry, chemical plants, etc. Last but not least, CEMA organs engaged in management of mechanical engineering strive to improve its production base. Involved in this case are primarily single-purpose, highly effective metal-working machines, automated production lines, flexible production systems, robots and manipulators.

In the course of the existing collaboration in specialization and cooperation in production mechanical engineering improved more than did other industrial branches. For example, Bulgaria is producing hoisting and transport systems, engines, agricultural machinery and some other electrotechnical and electronic systems to meet the needs of other countries. Specialized production of electronic instruments, buses, medical instruments and agricultural machinery was introduced in Hungary. The GDR is oriented toward computer technology, optics and precision mechanics, but supplies other CEMA countries with trucks, passenger railroad cars, systems for chemical plants, etc. Poland produces, among other things, seagoing ships, agricultural and mining machinery, Romania specializes in frilling sets and systems for crude oil refining, machine tools and agricultural machinery, etc.

The Soviet Union supplies other CEMA member countries with an extensive assortment of mechanical engineering equipment. This includes primarily systems for power plants and metallurgical operations, further forming and shaping machines, transport and hoisting systems, tractors, automobiles, and other products. The CSSR participates in mutual deliveries by, among other things, systems for metallurgy and deliveries of locomotives, machine tools, computer systems, equipment for nuclear power plants, automobiles and motorcycles.

Thus, the new CEMA council for cooperation in mechanical engineering is faced with an extraordinarily wide range of problems. Their resolution will make a significant contribution to reinforcing the economic potential of not only of the individual CEMA member countries, but of the socialist community as a whole.

8204

CSO: 2400/325

BULGARIA

CERTAIN ECONOMIC ATTITUDES CRITICIZED

Sofia TRUD in Bulgarian 7 Mar 85 pp 1,3

[Article by Nikolay Todorov: "Accidents. Reflections of a Publicist"]

[Text] Not long ago a dramatic misfortune shook the inhabitants of a small town along the Iskar. Two teachers were leading a group of children from the kindergarten. The column of little ones, hand in hand, made a touching picture.

Just as this precious line was crossing the small bridge spanning the river, the teacher up ahead, hearing bangs and screams behind her, turned around and - could not cry out for horror. There was no-one behind her. The children had disappeared! People were diving into the cold water to save them. But despite their selfless action and the great care of the doctors from nearby hospitals, three mothers sat waiting for tomorrow dressed in black.

What had happened? Quite simple. The metal foundations, stretching from bank to bank from time immemorial, had rotted and suddenly and fatefully collapsed. It wasn't the weight of the many tons of stone blocks, nor the rumbling of tank columns that they could not withstand, but the gentle steps of a handful of little boys and girls from the kindergarten who were out on a walk.

I went along there immediately after the accident. Red lamps had been placed on both sides of the bridge and a policeman was keeping watch. Lest the same should happen again. No, the same didn't happen again...

A few years ago, the trains began to run late quite regularly, with disastrous results. The weather was fine (there were no snow drifts) and the roadbeds were clear of falling rocks, but the trains got lost. The crowds on the platforms grew larger and were as agitated as the characters waiting in Radichkov's "Noonday Sun". At that time, I had a confidential conversation with one of the transport bosses.

"You're not very strict about the timetables," I hinted delicately.

"They're changing the rails on me in a lot of places," he retorted.

"Well then, it might be better to cancel a few trains."

"That's just what we've done. We've cancelled 30 trains throughout the region."

"Why is all this happening now?"

The fellow was silent and looked uncomfortable, then said quite sincerely: "Because we've been putting off these repairs for decades."

Close by to the hotel Pliska, in front of block 112, our neighbour, Grandma Liza, an octogenarian, lovingly used to tend a little rose garden. The flowers brought a kind of gentle home comfort among the severe outlines of the monotonous blocks. But about twice a year a water geyser would burst in the little garden. The water would flow for a couple of days until someone would call up the appropriate department. Then came a huge bulldozer, broke up the sidewalk, reared up like a wild boar and dug up the garden. Workers dropped into a ditch, soldered, welded, connected, then the machine filled up the ditch while the roses tried to come to.

Finally the old woman shrugged her shoulders. How can an old lady fight a bulldozer?

"You know, the pipes burst quite often..."

The worker lifted his head from the deep ditch and wiped his forehead:

"I'm amazed they're still holding up. They've rotted through. Their time was up a long time ago."

Countless similar stories could be told, some sad, some funny. You can hear them everywhere, but it's more important that we try to explain them.

We are becoming an increasingly modern and civilized country. We are steadily putting into practice the scientific and technological achievements of humanity. Times change, and the pace of life changes, but habits die hard. Time imposes ever more pressing demands for absolute precision, strict observance of norms and instructions, but on the strength of solid inertia many people continue to live according to ancient customs which can be expressed as: "Don't put off until tomorrow what you can do the day after". We are not exactly overzealous in our respect of laws and regulations. We exhibit artistic disregard and aristocratic condescension toward instructions, regulations, requests and time limits, not to mention laws and principles. Sometimes this is a sign of ignorance, at other times a sign of an immature and irresponsible social conscience, and yet again it may be an expression of instinctive, yet deeply rooted opposition to regulations, to the necessary, but intrusive and absolute scheme of things.

Occasionally this behavior is excused for economic reasons--frugality, prioritizing of necessities. Funds are insufficient, there are limits, let's do what's essential and put off the rest until next year, or the year after, and pray to God that there'll be no consequences.

But, as the saying goes, that's just penny wise and pound foolish. Too shortsighted. Our limited practicality and our economic shortsightedness are usually punished by harsh retribution, but the blows strike people who have nothing to do with the sins of the guilty.

At a building project in a new part of town, plans included a store, a small club, a small coffee shop, areas where people could sit and talk, altogether quite a modern development. As he counted and recounted his costs, the investor first of all cut out the coffee shop, then the club and finally the store. The new inhabitants, happy to have a roof over their heads, have been travelling miles for years now, wading through mud, jostling each other in the bus and waiting patiently in lines. And the pressure of public indignation has been rising. Of course it has no financial expression, but there are other consequences. Until one fine day the new supermarket is officially opened and a new social acquisition lavishly proclaimed.

They're building a new factory for cement, chemicals and metallurgy--the pride of our industry. A filtration system has been included in the plans because the enlightened person knows that industry hurls pollutants into the air that are quite harmful to people, animals and vegetation. But these systems are expensive. With the same funds you could build, say, another factory, although it would be smaller. Well then, we'll give up the system, and those who come after us can worry about it. The volcanic clouds of cement dust hang over the small town, the inhabitants walk around with handkerchiefs to their mouths, the metallurgic factory pays the agrocomplex thousands of leva for the devastated land, and this compensation has long since exceeded the funds required for the filtration system, but that's someone else's budget. Finally the specialists get together and solve the problem, the people breathe again, take the moist handkerchiefs from their mouths, and life continues. Gradually, even the destroyed greenery reclaims its land.

It's time to repair a piece of equipment but it's working normally. Let's not be so particular, no-one will be hurt if we put it off this once.

But things have their own objective characteristics: metal is strong, gases are noxious, irresponsibility has its social repercussions. All this has been determined scientifically, proven with irrefutable arguments, verified by long years of experience; we ignore it at our peril. Time does not tolerate amateurism where serious scientific assessment is required. A subjective, unreasoned decision inflicts great harm when established schedules and expedient rules are meant to be kept. For example, an aeroplane certificate allows 5,000 flying hours; if the plane exceeds this, continuing to fly successfully through space, that does not mean that in the next ominous hour it won't suddenly fall from the peaceful heights.

Sometimes we wonder at the heroism of a worker who falls into a hot furnace and, doused by his friends and half dead from the sweltering heat, manages to plug up and fill the hole or, at risk to his own life, saves his colleague from an electric shock. Similar events of human sacrifice, which inspire admiration, really reveal the moral strength of our contemporary man and his concern for the greater good. But if we peer a little closer, we invariably see that the accident with the furnace would not have occurred if the planned

repairs had been completed on time, and no-one would have been hurt by the electric shock if the electricians had done their work conscientiously and their supervisor had been strict and demanding.

If we suppose that it takes nine months to complete a project but that, in honor of some festive occasion, we rush the work through with three months to spare, we hardly have a reason to celebrate. Because the omissions, the oversights and the poorly finished assembly resulting from the building confusion will soon lead to accidents, losses and bad tempers, which will avenge our premature celebrations and poison our pleasure.

It's as if the time has come when we should not try to finish everything ahead of schedule, but do things within the allotted time and exactly as planned with no changes.

Because very often we lose just when we think we're winning, and the tempting outer veneer, like the wooden fences in the famous Potemkin villages, hide the real unseen failures.

And since we're talking about the powerful imposition of principles of the new economic order, it seems to me that payment for everyone should be linked not just to immediate profits, but also to factors that contribute to the development of the company and to safeguarding jobs. Otherwise, the cheerful and optimistic motto "Let's take from technology everything it has to offer us" may lead to the untimely removal of people, not just machines.

And because, as I think of the accident in the little town along the Iskar, I discover with pain that the three children were victims not of a bad accident but of poor style.

12907

CSO: 2200/138

CZECHOSLOVAKIA

LENIN'S CENTRAL MANAGEMENT THESES

AU221434 Prague RUDE PRAVO in Czech 19 Apr 85 p 4

[Article by Jaroslav Mazal: "V. I. Lenin and the Scientific Management of Society; Orientation for Today and for Tomorrow"; passages between slantlines published in boldface]

[Excerpts] /Hundreds of millions of people throughout the world today draw their knowledge, orientation, support, and encouragement from the rich legacy of theoretical knowledge and practical experience left us by Vladimir Ilich Lenin./

The basic theoretical and practical issues of building an efficiently functioning system for managing the socialist national economy include the correct solution of issues connected with the /relationship between the economy and policy/ and the correct understanding of the issues of their unity, as well as of the /socialist state's functions in the sphere of national economy management./

In the twenties, in a discussion on trade unions, V. I. Lenin underscored that /"...policy is a concentrated expression of the economy."/ However, this does not mean that policy and the economy are identical.

/"Policy cannot but have priority over the economy....without a correct approach to the matter, the given class will not maintain its rule, and thus will also be incapable of resolving its production task."/

To identify policy and the economy would mean to merge the superstructure and the base of the society--and this would lead to rejection of the creative role played by the party, the people's masses, and the state in the economic sphere of society's life.

It is certainly no coincidence that Lenin reverts time and again to the explanation of the correct understanding of the policy-economy relationship, to the priority of policy over the economy, to the /party's leading role in management of the economy./

The management of economic policy by party and state--a policy which in its results determines people's social and living standards--must become,

as stressed by Lenin again and again, the concern of all working people. Naturally this presumes that the priority of policy over the economy requires the diligent and enterprising co-participation of the broadest possible circle of working people in the management of production and of other economic spheres.

Lenin's historical merit was that he formulated the basic principle of building a socialist state and of managing the socialist national economy --/the principle of democratic centralism./ Democratic centralism is a well-tested principle of building the organized political vanguard of the workers class--the Communist party.

At the same time, Lenin warned against confusing democratic centralism with bureaucratic centralism. He characterized the substance of democratic centralism in the management of the socialist national economy by saying that one must combine centralism in management with the broadest democracy, combine national interest with local interests, interests of enterprises, communities, districts, oblasts, and regions: /"...centralism, understood in a really democratic way, presumes the possibility, voiced for the first time by history, of full and undisturbed development not only of internal peculiarities, but also of local creativity, local initiative and diversity of ways, methods, and means of progressing toward the common goal."/

It is worth mentioning that already during Lenin's lifetime certain critics of central power published a thesis that central management of the economy and of the state's organizational function is, allegedly, justified only at the beginning. In further phases, they said, this is no longer necessary because, they claimed, the state's function in the economy can be fulfilled by so-called associations of direct producers; that means by individual workers' collectives in plants, by worker councils, and so forth.

We know of Lenin's ironic sallies against Bukharin's theory of so-called "production democracy". Advocates of this theory have failed to grasp the substance of democratic centralism as the key principle of production in a socialist state and its national economy; they rejected the creative role of central management, one-sidedly stressing democratism at the cost of central management. Lenin's articles and speeches in which he comprehensively explained the role of centralization continue to be a great and lastingly valid lesson for building the organization of the management of the national economy. /"The realization of communism,"/ he stressed, /"unconditionally demands the greatest and strictest possible centralization of labor on an all-national level."/

It is no coincidence that certain advocates of capital are attacking and casting all possible doubts on the principle of democratic centralism; in the management of the national economy in particular. Yes, a bourgeois really can see in it an alleged limitation of democracy and freedom, since he is incapable of subordinating himself to discipline and cannot act in unity with the people's masses. He cannot do this because his economic ideas and unfulfilled longings are different from the interests of the entire society. In other words: on the one hand the revisionists

who cast doubt on the inevitability of central management underscore the alleged democratism of their theses and their approach, while in reality they understand by it a form of society's organization which would permit them to live and develop as private producers, and to develop "their economy" in their own way.

The revisionist theses on "production" or "worker" democracy were and are directed against interference of the socialist state in the economy, against all-national planning from a single authoritative center. As we can convince ourselves, these theses return to us from time to time in a new form; but their substance and contents remain basically unchanged. Of course, it is one thing to make use of the market and of money-market relation and another thing to "abolish" planning and totally rely on market regulation. V. I. Lenin stresses: "All enterprises of the given branch throughout the country must be subordinated to the center."

The principle of democratic centralism in the decisions of every management body and of leading staff is specifically expressed in the linkage of the principle of collectivity and the principle of only one responsible executive. This is how it is formulated in Lenin's theses that "one should discuss things jointly, but the individual should have the responsibility."/

The importance of the principle of collectivity under contemporary conditions, in which we have to resolve increasingly complicated tasks, is also stressed by numerous documents of our own party.

Lenin's ideas on the need to go over to higher forms of labor discipline, to a conscious subordination of immediate personal interests of an individual to the common interests of the entire society, and to respect for directives and commands of the representatives of the socialist state also have lasting validity.

"It is necessary to learn,"/ Lenin wrote, "to combine the stormy democratism of the working masses, at conferences, bubbling like a spring flood and spilling over everywhere,/ with /iron discipline in work,/ with unconditional subordination /in work to the will of one person, the soviet leading worker."/

Our own experience, too, has affirmed that Lenin's thesis is correct: namely, that success in managing the work process unconditionally demands discipline and subordination to a united [jednotna] will. "In the presence of ideal conscious-mindedness and discipline of the people participating in common work," Lenin pointed out, "this subordination rather reminds one of the sensitive guidance of a conductor. If there is lack of ideal discipline and conscious-mindedness it can take on the sharp forms of dictatorship. But whichever way it is, unconditional subordination to the united will in the interest of success in the work process, organized according to the ways of the large-scale machine industry, is unconditionally necessary."

Lenin's ideas on the qualities demanded of executive workers, both party and economic ones, and his ideas on the principles of socialist cadre work continue to be full of life and stimulating. V. I. Lenin pondered time and again on issues of the required qualities of leading workers. In his books, articles, and speeches, we can find the characteristics of the basic qualities of leading executives: political maturity, close ties with the masses of the working people, knowledge of their interests and way of thinking, the art of winning and keeping their trust, the ability to correctly combine personal and collective interests with all-social interests, a high professional standard, plus a scientific education, management skill, and habits, conscientiousness, firmness and resoluteness, and the sense of the new.

It is self evident that it is impossible to provide an unequivocal and universally valid reply to the question about what professional knowledge a socialist executive is to master first--this differs according to the nature of the place of work, the function, and other factors. But the main thing is /that people should do work for which they have suitable personal prerequisites--work in which society needs their qualities most./

"Certain workers," Lenin recalls in this context, "can and must be recalled from their work in the center and transferred to local work; if, as leading workers in uyezds and volosts, they organize /the entire/ economic work /in an overall exemplary way/ they will be immensely useful and will do far more important work for /the entire state/ than if they had been in some function in the center. Because /the exemplary organization of work will be a school for workers and an example to be followed, an example which it will already be relatively easy to imitate; and, from the center we will know how to help them make the 'adoption' of an outstanding example achieve large-scale, compulsory proportions."/

The all-social control system is a vital part of the overall political system; it consists of party control, control carried out by voluntary social organizations, non-public control, state control, economic control, and civic control.

In his work, "The State and the Revolution", V. I. Lenin explicitly states that /"...record-keeping and control is the main thing necessary for putting into operation and for the correct functioning of the first phase of communist society."/

Leninist principles of scientific management and the Leninist style of practical work, which are unthinkable one without the other, are also applied in a carefully considered and purposeful manner by our own Communist party in its management work. It was no coincidence that Comrade Gustav Husak, speaking about the Leninist style at the 16th CPCZ Congress, stressed that its strength lies /"primarily in systematic work with the people. To know the people's views, actively to approach their problems and needs, to explain the party's policy to them systematically, to convince them and win them over to the fulfillment of this policy, to generalize their experience--this must also be the typical feature of the activity of every functionary, every responsible worker."/

CZECHOSLOVAKIA

PRAGUE TV CARRIES INTERVIEW WITH USSR'S KOSTIN ON LABOR INCENTIVES

LD242359 Prague Television Service in Czech and Slovak 1730 GMT 24 Apr 85

[Excerpts] As we informed you yesterday, a meeting of top officials of the ministries of labor and of social affairs of the CEMA member countries is underway in Prague. On this occasion here is an interview with Comrade Leonid Kostin, first deputy chairman of the USSR State Committee for Labor and Social Problems.

[Unidentified interviewer speaking in Russian with superimposed Czech translation] At the CPSU Central Committee session, Comrade Gorbachev spoke about the need to raise work discipline. What steps are being taken to make the best use of the labor supply and working hours in the USSR?

[Kostin speaking in Russian with superimposed Czech translation] In the last 2 years, the rate of economic growth has risen by one-third and this was to a large extent due to improved work discipline. Production is better organized and supplies are being delivered nearer the target date. This is the first prerequisite for maintaining the rhythm of work at all workplaces. Then there is differentiation in the work people do. Those who work well also deserve better pay. Recently we have been paying great attention to the violations of work discipline. Those workers who are not interested in their work and fail to show up we simply deploy at less well paid jobs, shorten their annual leave entitlement by as much as half, or postpone allocating enterprise apartments to such people. Of course, the most important role in this is played by education provided by the work collectives.

[Interviewer] What have been your practical experiences with broadening the rights and increasing the role of work collectives in solving production and social questions?

[Kostin] In June 1983, 2 years ago, following a nationwide discussion, the law on work collectives was adopted. In certain enterprises we test the experiment in production management. Here is one example: Over the last year collectives working this way in Novosibirsk increased their productivity by 12.5 percent while in other collectives, where this experiment was not conducted, labor productivity rose by only 5.2 percent. These results say it all.

[Interviewer] What do you see as the most important ways to morally and economically motivate the working people?

[Kostin] We think that the opportunity to earn well is an important incentive. Of great importance in those places where we introduce brigade organization of work is collective remuneration, which is paid on the completion of the job and subsequently distributed commensurately with individual members' contribution to the collective effort. Apart from that a role is being played by the possibility of transferring an entire collective to inferior jobs.

At the moment, work satisfaction is ever more important. Young people, who now have very high educational standards, do not want to be in places without interesting work even if they are better paid. Of course, moral motivators are of great importance--from a mention in the press to receiving the distinction Meritorious Worker, to State and Lenin prizes, to even the title of Hero of Socialist Labor and so on. I think that it is such moral incentives that will keep increasing in importance.

CSO: 2400/368

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CZECHOSLOVAKIA

BRIEFS

PITRA RETURNS FROM GDR--Frantisek Pitra, CPCZ Central Committee secretary, returned from Berlin today. During his stay in the GDR he exchanged experiences on the implementation of agricultural policy, above all in the area of improving planned management of the agricultural and food processing complex and the application of scientific-technological knowledge in agricultural practice. [Text] [Bratislava Domestic Service in Slovak 1930 GMT 18 Apr 85]

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GERMAN DEMOCRATIC REPUBLIC

AGRICULTURE TECHNIQUES, PRODUCTION GOALS OUTLINED

East Berlin NEUER WEG in German Vol 40 No 5, Mar 85 (signed to press 28 Feb 85) pp 163-168

[Article by Werner Felte, member of the SED Central Committee Politburo and Central Committee secretary for agriculture: "Cooperative Farmers Worthily Prepare the Way to the 11th SED Party Congress"]

[Text] The convocation of the 11th SED Party Congress as well as the keynote speeches of the secretary general of the Central Committee, Comrade Erich Honecker, at the 9th session of the Central Committee and at the consultation with the first secretaries of the SED, have given decisive impulses to the competitive striving for higher achievements in all areas by the farmers and workers in cooperatives in the agriculture, forestry and foodstuff industries.

To Strengthen Socialism and Secure Peace

This was expressed very vividly by cooperative farmer Ilse Schneider at the Conference of Competitive Cooperation of the LPGs [Agricultural Producer Cooperatives] and VEGs [state farm cooperatives] in Bandelsdorf, rural kreis Rostock. She said: "Onward to the 11th Party Congress means for us not to wait and see what the Party Congress will bring, but to prepare it so well that it can bring much."

This very concern was served by the central consultation with more than 1,300 practitioners and functionaries of the socialist agriculture, forestry and foodstuff industries in Markkleeberg, where concrete conclusions were reached for the phase leading up to the 11th SED Party Congress. They resulted in obligations which were transmitted in a letter to the secretary general of the SED Central Committee, Comrade Erich Honeker. The goals contained therein area based on the exemplary competition plans of many work collectives, which aim for high results under the leadership of party organizations following the example of the LPG of the Marxwalde cooperation.

Their consistent implementation contributes to our continuing staunchly the proven course of the main task, unity of economic and social policy, strengthening socialism, and thus better securing peace. In the struggle for preservation of peace and the welfare of the people, fraternal cooperation with the Soviet Union and other socialist countries is an

unshakable basis in all walks of life. In a few weeks, when we will solemnly observe the 40th anniversary of our people's liberation from fascism by the glorious Soviet Army, it will be an occasion obliging us to account successfully for the first stage of competition in preparation for the 11th Party Congress.

Political Allegiance Through Competition

Active participation in the competition for a worthy preparation of the 11th SED Party Congress is an important statement of political allegiance. Therefore, it remains the concern of political-ideological work of every basic organization in the country to work toward an imprint of this consciousness.. Above all, it is a matter of clarifying fundamental ideological questions of the Party's economic strategy. Our orientation, to do everything possible to strengthen our worker-and-peasant state and to secure peace, has proven to be a strong impetus for the conscious actions of the communists and of all workers in the further formation of our developed socialist society.

The demanding nature of the obligations assumed is characteristic. Through the political influence of the party organizations, they were directed toward a consistent implementation of our Party's economic strategy, and they contain new standards for extensive intensification. The greatest reserves can be found in a broad application of science and technology, and in further overcoming the unjustifiable differences in yields, performances, and effectiveness of the LPGs, VEGs, and other enterprises, as well as sections, brigades, stables, and fields.

Party Resolutions Show Way and Goal

Cooperative farmers and worker are increasingly influenced by comrade Erich Honecker's statement at the 9th session of the Central Committee that, more and more, qualitative growth factors determine progress. Starting with thorough analyses of what has been achieved, under the leadership of the party organizations they carry out his advice to continue to deepen this development and to strengthen the qualitative change which has occurred also in agriculture in implementing economic strategy, characterized as a fund-saving type of intensification.

The keynote speeches by the SED Central Committee's general secretary, comrade Erich Honecker, at the 9th session and at the consultation meeting of the Central Committee secretariat with the kreis first secretaries, as well as the trendsetting resolutions of the party leadership, are the basis for the goals and obligations assumed by cooperative farmers and workers of the agriculture, forestry, and foodstuff industries. This holds particularly true for the documents on perfecting management, planning and economic accounting in the agricultural and foodstuff industries; on increased cooperation of the LPGs and VEGs of plant and animal production; on agricultural price reform; on improved efficiency of material stimulation in the cooperatives; on development of animal production; on generalization of the experience of the 1984 grain harvest; and on reporting by the kreis leadership of Prenzlau to the Central Committee secretariat.

Increase in Yields to Be Continued.

The focal point of preparation for the Party Congress is the task of continuing the great increase in yields since the 10th SED Party Congress to reach the desired result for 1985. The planned total yield for 1985 in plant production, as per the five-year plan directive, of 43.2 to 43.7 quintals of grain units per hectare is to be surpassed by 3.1 quintals through the adopted obligation of 46.8 quintals. This is very much along the lines of the major task of unity of economic and social policy. More domestic plant products are the prerequisite for satisfying continued increasing demands of the population for high-quality food products as well as the demands of industry for raw materials, at the same time ensuring fodder supply more and more from domestic production. Consequently, higher yields, especially of grain, potatoes, sugar beets, fruit, vegetables and special cultures, are a key question for continued economic growth. For this reason, those basic organizations act correctly which concentrate their political work in implementing battle programs on increasing the yield of plant production and soil fertility. Only through high quality in all stages of work, and through broad application of scientific-technological progress, can the demanding goals be attained.

The concepts of highest yields, based on field rotation, have proven to be outstanding guiding instruments in applying scientific-technological progress and time-tested farm methods. With their help, the latest scientific know-how, norms and techniques can be forcefully translated into practice. For this reason, party leaderships take more and more control of the established measures and give out party orders to comrades.

Emphasis is placed on increased supply of organic substances to the soil. Considerable efforts are made for waste-free storage and high utilization of solid and liquid manure. Considerable reserves can also be developed through work on firm crop rotation and a further increase in the cultivation of plants that augment humus, such as clover and alfalfa, and through intercropping.

Spring Cultivation--the Acid Test

Spring cultivation is the acid test for cooperative farmers and worker. An old proverb states correctly: he who plowed the field badly, will soon feel it in the pocketbook. Conscientious and timely cultivation and care are decisive factors for high yields. It is the task of the leadership in cooperatives and VEGs as well as the state kreis authorities to create the necessary ideological, organizational and economic preconditions. For this reason, the party organizations of LPGs, VEGs and inter-company institutions should help organize the gaining time in order to attain a higher yield on the basis of the resolution by the Central Committee secretariat on preparation and implementation of the 1985 spring cultivation and tending work. Many party organizations have established concrete measures on this in membership meetings.

The principle must be the following: we must not waste a single day of the growing period! This demands well-thought-out organization and appropriate technologies, as well as use of the entire work force available to agriculture and stimulation of highest performance in order to cope with seasonal peak work loads.

A full utilization of machinery and observance of optimal agro-technical dates can be attained only if the equipment is ready for use in good time, and if the necessary work force is ensured. Experience shows that this requires increased availability of cooperative farmers and workers, and strengthening their continued training as it relates to their work place. Peak work loads, which influence the yield, can be mastered during tending or harvesting with the help of all available hands, also from animal production, their own repair brigades, or from inter-company construction and improvement enterprises. In the villages, also, many worker can be mobilized. The requirements for the political work of the standing and/or temporary party groups in the cultivation and tending brigades derive from this, also.

Irrigation to Be Further Expanded

For the stability of crop yields, expansion of irrigation is extremely important, particularly because of our high percentage of sandy soil. During the past year, 300,000 hectares were prepared for irrigation. This is several times more than that of earlier years. This proves that the greatest economic effects can be attained by appropriate efforts in all villages through simple projects and with the support of youth, local industrial enterprises, and all societal forces. By the time of the 11th Party Congress, and based on this experience, 250,000 more hectares are to be irrigated through simple and economical procedure. In the case of drainage, high goals have also been set for an additional 75,000 hectares. Every basic organization must continue to focus on directing numerous initiatives in this direction.

In order to be able to make available an increasingly wide selection of vegetables and fruit during the entire year, cooperative farmer and worker will increase the intensity and extent of this production, and will surpass the directive of the five-year plan by 4.4 and 19.3 percent respectively, in this year's harvest. The programs decided on by the Politburo for increased production of fruit and vegetables provide important guidance and help in this undertaking.

Fodder to Be Used Effectively

Livestock supplies in the GDR have reached an extent which will ensure sustained provisions also in the future. The major focus now is on increased performance. The concepts of maximum performance are absolutely essential working basis for managers as well as stable collectives. In animal breeding, past performance peaks were surpassed in 1983 and 1984. now it is a matter of improving fattening of animals, but also milk

production per cow, the egg yield per hen, and other performance parameters. However, an important criterion must be to combine this with efficient use of fodder. Economy of fodder is material economy of great importance, since fodder amounts to about 40 percent of the costs of animal husbandry. The planned lowering by 1 percent of specific cost per animal husbandry unit demands great efforts and many initiatives.

Greater efficiency in, and reconstruction of, stables is gaining increased importance. The FDJ proposal, to concentrate their "Animal Husbandry" initiative in the Ernst-Thaelmann-aggregate in order to create for some time the preconditions for high animal performance in the stables and at the same time, favorable working conditions for the stockmen, must be strongly promoted and supported by every party organization.

Naturally, the LPGs and VEGs remain the basic units of production with their own economic results.

The Best Experiences to Be Fully Implemented

In the future, also, we shall be guided by our proven principle of always observing the varying conditions of our land and of discussing thoroughly with the farmers any new development step. This also holds true for the agreement on model cooperation, for example, whose outline is being widely discussed in public these days.

The entire process of deepening cooperation between LPGs and VEGs must have determined political leadership by the basic organizations, their managements, the councils of party secretaries, and the party groups in the cooperation councils. Thorough and differentiated guidance and help from the kreis leaderships is required to an even larger extent. As comrade Erich Honecker stressed in his speech before the kreis first secretaries, the primary concern is to generalize and apply those proven experiences of party work which are appropriate for the conditions of territorial production and work organization.

In our time, economically favorable action is possible only if science and technology become fully effective everywhere. This, in turn, requires constant qualification, training, and continued education. The latest scientific know-how must be quickly ferreted out and quickly introduced into practice. The battle against unjustified differentiation must be carried on vigorously. Regular comparison of performance, exchange of experience, continuous comparison with the neighbor who does better, with highest achievement and world standards, respectively, must become a firm work principle. In this, greater commitment and support is also expected of agricultural scientists. It is the task of every party organization to strengthen the battle position of communists and of all cooperative farmers.

Performance Principle Promotes Creativity

Efficient economic activity also requires business administrative knowledge and action. Organizational principles, scientifically founded and proven in practice, management, planning, accounting and control, supported by

scientifically justified norms and instruments, permit firm decisions. Also contributing to this are the agricultural price reform and the clear definition of performance indicators, domestic product, net product, costs and profits, and their application in performance comparison and stimulation of performance growth. But it must not be overlooked that there is still too great a difference between comparable cooperatives and VEGs. The basic organizations of our Party should, therefore, declare an even more vigorous war on those unjustified differences.

One of the most important experiences in strengthening LPGs is the organization of production and work in solid brigades, in accordance with territorial aspects. By transferring planning tasks and their accounting and stimulation, creativity, close ties and love of soil and animals can fully develop. For this reason, application of the performance principle and stimulation for performance growth in the LPGs must be thoroughly analyzed on the basis of the Politburo resolution, and necessary commitments must be made.

Obligations to Be Fulfilled with Honor

High production in the fields and stables are a precondition for beautiful villages, for a noticeable improvement of working and living conditions of cooperative farmer and workers. Party organizations and comrade delegates in the local people's assemblies actively work toward this. In 1985, as many as 13,500 apartments are to be newly constructed, remodeled or enlarged with agricultural capacities. Together with other societal organizations, such as the FDGB [Free German Labor Union Federation] and the VdgB [Peasant Mutual Aid Association], our comrades advance political, economic and social progress in the LPGs, VEGs, and in the villages. All this produces strength and the certainty that the workers of the agricultural, forestry and foodstuff industries will fulfill with honor the obligations assumed for the 11th SED Party Congress.

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GERMAN DEMOCRATIC REPUBLIC

SCIENCE, TECHNOLOGY VIEWED AS KEY TO PRODUCTIVITY

East Berlin EINHEIT in German Vol 40 No 3, Mar 85 (signed to press 11 Feb 85)
pp 223-228

[Article by Prof Dr Georg Ebert, head of the professorate for the political economy of socialism at the Karl Marx Party College of the SED Central Committee, and Uwe Moeller, deputy director of the academic area political economy and economic sciences at the Karl Marx Party College of the SED Central Committee: "Higher Standards and New Possibilities For Increasing Labor Productivity"]

[Text] The performance growth of 1984, increasing the national income by 5.5 percent--planned was only a growth of 4.4 percent--is of considerable importance to the preparations for the 11th party congress and an impressive confirmation of our party's economic policy relative to the new phase in its economic strategy. Decisive is, as Comrade Erich Honecker asserted at the kreis first secretaries conference on 1 February 1985, that this growth was based on a rapid labor productivity boost.

That rose by 7.7 percent in industry. Simultaneously, production consumption dropped by 3 percent per unit of national income and prime costs, by 2.5 percent per M 100 in commodity production. Such results must be further extended this year by way of comprehensive intensification. "It is of great weight that labor productivity growth has risen and this process keeps accelerating. The Politburo underscores the importance of principle in Lenin's remark to the effect that higher labor productivity ultimately decides the victory of the new social order."¹ That emphasizes also for the new stage in our development that boosting labor productivity is a key to the further shaping of the developed socialist society as well as to fortifying the positions of socialism in the international class conflict.

Our efforts about labor productivity focus on "the grade of effect through purposeful productive activity within a given period."² Its increase expresses the capability of human labor to produce more use values or higher grade products through the means of production while costs remain stable or drop.

That makes labor productivity boosts the most important basis for constantly augmenting social wealth. Together with scientific-technological progress, it is an inexhaustible source for national income growth. The growth rate of the

national income and our ability to use it suitably and rationally ultimately largely decide to what extent and at which pace we can resolve the tasks confronting us in the shaping of the developed socialist society.

New Phase in the Struggle for Higher Labor Productivity

The basic Leninist idea that increased labor productivity is the crucial prerequisite for the all-round, especially the economic, strengthening of socialism runs like a red thread through the SED's economic strategy. With it, it becomes our most effective contribution to the struggle for the safeguarding of peace. Our party assumes in its economic strategy that the effort on behalf of a much higher level of labor productivity has entered a new phase, that higher demands are made on the rate of labor productivity boosts and that there also are new possibilities for tapping the deeper sources of its growth. Be it the securing and further elevation of the people's standard of living, the extension of the material-technical base, the development of foreign trade, the solving of tasks in foreign policy and defense--all that calls for high dynamism in the national income, depending on a constantly growing degree of effect in labor productivity.

Therefore, carrying on the main task course, as affirmed at the ninth Central Committee session, and as implemented consistently by our party since the eighth party congress in 1971, is possible only on the basis of steady labor productivity growth. As the result of the unified economic and social policies, a high level of individual and public consumption has been achieved in this period. That is true of providing households with durable consumer goods, of improving housing conditions for millions of citizens, of increasing the net monetary income and many other things. On this basis changes occur in the structure of needs. New and higher demands are made, e.g., on supplies in high-grade industrial goods and services and on the extension of the infrastructure. Satisfying the grown individual and public needs calls for a further qualitative extension of the material-technical base by way of intensification, mainly through introducing most up-to-date technologies. We must furthermore expect in years ahead more expenditures for securing our country's energy and raw material base, for which we must compensate by increased labor productivity in all economic sectors.

Consequences, finally, arise from the confrontation policy by the most aggressive imperialist circles, from economic warfare and the arms buildup, for the economy in the socialist countries. The Reagan Administration has come up with the declared goal to gain a military-strategic superiority over socialism and impose an arms race on it of which it hopes it will exceed the economic capacities of socialism. As developments in recent years have shown, however, that does not compute.

The imperialist countries are getting into economic and social difficulties mainly due to the arms buildup course. That is seen mainly by the enormous budget deficits and national debts, which already run into hundreds of billions of dollars in the United States. The antagonistic contradictions between capital and labor are necessarily sharpened when NATO states are trying to counteract the budgetary deficits and enormous national debts, which are growing further because of the arms buildup, by drastic welfare cuts.

Yet in the imperialist countries the realization is growing also that through an ever more comprehensive use of the advantages of the socialist planned economy and the deepening of socialist economic integration, the socialist countries are succeeding in carrying on their economic and social policy for the good of the people and assuring their countries of uttermost security. Taking care of both tasks calls for labor productivity boosts in new dimensions and in new ways, to be sure.

Not only the demands, but also the chances for getting onto a new level of labor productivity have grown, however. The level and dynamics of labor productivity reflect the productive forces' stage of development and their being controlled according to plan by socialist society. The scientific-technological revolution leads to unprecedented opportunities for labor productivity boosts. New effective conditions arise for the economic laws of socialism, especially for the law of steadily increasing the labor productivity and for the time economy law. That turns intensification, a growth defined by the economizing of all kinds of outlays--live and embodied labor and the running and one-time expenses per unit of use value--into a fundamental economic policy task.

Our party's target-directed policy, aimed at perfecting the productive forces and production relations, especially after the eighth party congress, has created the opportunities for tapping new ways and means for increasing the labor productivity to that end. On that premise, the factors that determine the labor productivity in the GDR economy have attained a qualitatively higher efficacy. Yet profound changes are occurring in each of these factors and in their interaction. The "average degree of a worker's skill"³ has gone up much. In 1983, 83 percent of the working people in the socialist economy had completed vocational training, compared with 61 percent in 1971. In the same time span the number of working people with college or technical school degrees went from 11.6 to 20.1 percent. The "social combination of the production process"⁴ also had a much higher effect. More elbow room was given to it through perfecting socialist production relations according to plan, mainly through setting up and further developing the combines, the deepening of cooperation in agriculture, the new expertise in management, planning and economic cost accounting, and the new level in socialist economic integration. Essential changes were revved up in the "scope and effectiveness of the means or production."⁵ The evidence for that comes not only from the average basic assets allocation per production worker, which rose from M 26,420 in 1950 to M 114,552 in 1983, but mainly also from the much higher degree of automation for machinery and installations, the current use of 43,000 robots in the economy and the growing proportion of rationalization investments.

All these qualitative changes rely on one factor of overriding importance for labor productivity boosts--the "developmental stage of science and its technological applicability."⁶ Precisely for that reason the focus of the SED's economic strategy for the 1980's is to rev up the scientific-technological progress and use it effectively and economically.⁷ In this, our party lets itself resolutely be guided by the realization that mainly through introducing new technologies that conform to most advanced international standards science becomes an immediate productive force. As our own experiences have confirmed in

bringing in such technologies as microelectronics, flexible automation or biotechnologies, they are the key to proceeding toward a new and higher level of labor productivity all throughout the economy. That is due, for one thing, to further economizing in live labor. For one thing, labor productivity rises because of the drop in the expense of live labor--mainly of simple and, partly, the less skilled labor. But it is then also true of production automation, including those sectors that precede and succeed the main process. On the other hand, labor productivity rises because, along with automation, the proportion of skilled labor is growing. That applies, e.g., to the entire process of manufacturing the software. The highly skilled labor invested in that at the same time produces a higher increase in value than does simple labor; yet still faster grows there the outcome of labor in terms of use value and, hence, its productivity.

Bringing in the most up-to-date technologies not only opens up new sources for economizing in live labor, however, it also makes economizing in embodied labor a much higher likelihood. This is of fundamental importance to the dynamics, especially to the development of the labor productivity level. Karl Marx already showed that the criterion for a rising level in labor productivity lies in reducing the total expenditures in live and embodied labor per use value unit. "This reduction in the total labor quantum invested in the merchandise thus seems to be the essential criterion for increased labor productivity. In a society where the producers regulate their production in accordance with a predesigned plan the labor productivity would of necessity be measured by that criterion."⁸

From this it follows that any reduction in the running expenses for embodied labor raises the labor productivity, unless more live labor cancels that out. Analyses show that the dynamics between live and embodied labor, their given share in expense reduction and, hence, in increased labor productivity, is not set for once and for all. That rather depends on any given concrete effective conditions for the general law behind the boosting of labor productivity. As practice has shown, that mainly concerns the quiddity of the material-technical base, the prevailing type of technology and of the reproduction process.

In "Das Kapital" we find the following statement on the production conditions created through the industrial revolution in pre-monopoly capitalism: "The increase in labor productivity simply lies in that the proportion of live labor is reduced but that of previous labor is increased, in such a way that the total amount of labor invested in the merchandise decreases; so that there is more of a decrease in live labor than an increase in the previous labor."⁹ With the transition to comprehensive intensive extended reproduction, which relies on the efficiency potentials in the scientific-technological revolution, new perspectives open up for the dynamics of live and embodied labor. The introduction of modern technologies, together with a faster upgrading process, e.g., makes possible in part a radical reduction of the specific expenditures in embodied labor, i.e. of an expenditure per product or use value unit. This becomes most apparent by the savings microelectronics allows as compared with traditional electronics. Similar effects come from condenser relay technology. Most pronounced is the reduction of specific material and raw material investments in connection with higher production refining. So the further fractioning of petroleum, the use of lignite in carbochemistry, and the enhanced refining in metallurgy produce a higher economic end product from any unit of primary raw material. However, such effects only occur under certain conditions:

--To remain competitive on the world market with highly refined products and ensure a high return on exports, one must have the time factor under control. It becomes a matter of developing the kind of technologies and products through which top positions can be seized when their appearance on the market is well-timed. Any delay or any settling for a "middle level" means a sensitive reduction of the national income available for consumption and accumulation.

--Modern technologies also must be under control in the application phase. Deviating from technological instructions always makes for more expense, mainly in live labor. Thus, through an accurate technological production preparation, especially also by largely involving the working people in the technological innovator process, the "start-up phases" should be held down as much as possible.

--The savings in energy, raw materials and fuels and other materials must not be exceeded by extra depreciations per production unit. This shows the great importance of a full capacity utilization of modern installations and their stable operation. A decisive influence on the total of depreciations also comes, however, from the labor productivity that has gone into the production of such new installations and equipment.

These new opportunities and yardsticks for boosting labor productivity are closely linked with the structural change in our economy by which we respond to the requirements of the scientific-technological revolution. Here we may stress the following aspects:

--Using science and technology as the most important performance reserve calls for much more skilled training aimed at high dynamics in the technological change in production. Advanced training, life-long learning while working, is becoming much more important.

--The broad economic application of modern technologies, accelerated upgrading of assortments, and higher production refinement, all that tends toward a pervasive reduction of specific material and energy consumption. It makes possible and requires an accelerated growth in the processing industry, including the consumer goods industry, over against the extraordinarily expensive and fund-consuming basic materials industry. This also leads to an ever more favorable ratio between national income and production consumption and to improving economic productivity and efficiency altogether. That is mainly reflected by that each unit of raw material, energy or material provides for a growing end product.

--Both the use of highly skilled live labor and the trimming of production consumption through measures of the scientific-technological progress are of crucial importance to compensating for the negative influence of increasing expenditures of raw materials and energy on economic efficiency. What matters in the final analysis is to trim the production consumption, in terms of use value as well as value, per unit of national income.

Labor Productivity--Decisive Field for Party Work

The greatest advances in boosting labor productivity are made in enterprises, combines, LPG's and VEG's where party organizations head the effort in this

decisive field. A combative work atmosphere develops mainly where political-ideological work drives in the realization that each makes his most effective contribution to consolidating the GDR and, thus, the peace, when through his conscientious, creative and disciplined labor the labor productivity is revved up.

High performance increases based on growing labor productivity--this ought to be among the fundamental realizations in the work of each basic organization--presuppose a high level of scientific-technological work. The rate of line production replacement and the introduction of new technologies, the quality and costs of products, gaged against international standards, are thus among the key issues in our political-ideological efforts.

This is effectively being aided by the resolutions on perfecting management, planning and economic cost accounting and their complete adaptation to comprehensive intensification. Especially the use of the four chief parameters in performance rating--net product, profit, and finished products for the population or for export--indicates better today the economic contribution enterprise collectives are making to economic performance growth. That also holds true for the labor productivity parameter which is gaged in the combines and enterprises, and in the economy on the whole as well, against the net product. There is a better indication on this basis for where one acts, or still infringes, the economic interest because the labor productivity trend is brought out more comprehensively, both from the standpoint of the economy of live labor as in terms of important aspects of the economy of embodied labor.

Important sides in the labor productivity trend are also reflected by other parameters. That is true, particularly, of the parameter for the degree of refinement at the range of the economy (end product per unit of primary raw materials and energy sources) and for the material quota, which indicates how much of a net product is manufactured in an enterprise in terms of units of material, raw material and fuel consumption. These parameters are significant points of orientation to conduct the party organizations' struggle for boosting labor productivity in its whole complexity. A higher materials economy, high product quality, faster product upgrading, and more production refining are as much part of it as introducing the latest technologies, saving working hours and recruiting labor for new and more productive activities.

The effort to boost labor productivity everywhere implies keeping a careful eye on productively using again the time gained by increased productivity--mainly for means of rationalization production, for consumer goods and for the second and third shift labor.

The party organizations will be able to engage permanently and successfully in this effort for a higher labor productivity, a topmost task in our economic strategy, if they see to it that R&D provide the requisite science lead for comprehensive production intensification. That also is the key, the decisive and firm foundation, to meeting the higher requirements placed on boosting the labor productivity in our time.

FOOTNOTES

1. Comrade Erich Honecker, "Aus dem Bericht des Politbueros an die 9. Tagung des ZK der SED" [From the Politburo Report to the Ninth SED Central Committee Session], Dietz publishing house, Berlin, 1984, pp 30-31.
2. Karl Marx, "Das Kapital" Vol I, "Werke" [Works], Vol 23, Dietz publishing house, Berlin, 1962, p 60.
3. Ibid., p 54.
4. Ibid.
5. Ibid.
6. Ibid.
7. Cf. "Comrade Erich Honecker's Speech at the SED Central Committee Secretariat Conference with the Kreis First Secretaries," NEUES DEUTSCHLAND, 2/3 February 1985, p 2.
8. Karl Marx, "Das Kapital" Vol III, "Werke," Vol 25, Dietz publishing house, Berlin, 1964, p 271.
9. Ibid.

5885

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16 May 1985

GERMAN DEMOCRATIC REPUBLIC

FARMING, ANIMAL HUSBANDRY PROGRAMS OUTLINED

East Berlin EINHEIT in German Vol 40 No 3, Mar 85 (signed to press 11 Feb 85)
pp 233-237

[Article by Dr Wilhelm Cesarz, state secretary in the Ministry for Agriculture, Forestry and Food Products: "Onward to the Eleventh Party Congress With Socialist Agriculture's High Achievements"]

[Text] The summoning of the 11th party congress and the guideline speeches by Comrade Erich Honecker, general secretary of the SED Central Committee, at the ninth Central Committee session and at the kreis first secretaries conference have triggered new initiatives among the working people in socialist agriculture and confirmed them in their resolve to repeat, and to stabilize and expand, the highest results achieved thus far, in the 35th year of the GDR's existence, in the continuing implementation of the economic strategy in socialist agriculture. Getting creditably set this way for the 11th party congress--that is what the obligations amount to which were assumed by the attendants of the central conference of the management cadres and practitioners of socialist agriculture from 9 to 11 January 1985 in Markkleeberg.* This conference conveyed the most suitable experiences for the continuing implementation of the economic strategy--especially in the speech by Comrade Werner Felke, member of the Politburo and secretary of the SED Central Committee: with regard to revving up the scientific-technological progress, the further perfecting of management, planning and economic cost accounting, the deepening of cooperation relations and the all-inclusive application of the socialist industrial economy, even with regard to the outcome of the agrarian price reform.

The enterprise plans and competition programs adopted at the main annual meetings and in the status reports of the LPG's [Agricultural Producer Cooperatives] and VEG's [state farms] placed their emphasis on preparing for the 11th party congress with high achievements. So the cooperative farmers and workers are following the example set by the competition initiators of the Marxwalde Cooperative, the Beesenstedt LPG(P) [Crop Production], the Neuendorf LPG(T) [Livestock Production] and the Schwaneberg VEG(P). Led by their party organizations, they

*Cf. "High Achievements in the Competition for the 11th Party Congress--Letter from the Attendants of the Central Conference to the SED Central Committee," NEUE DEUTSCHE BAUERNZEITUNG, 18 January 1985, pp 3-4.

mean to fulfil their tasks day after day,, do what they can to strengthen the GDR and further elevate through comprehensive intensification the efficiency of socialist agriculture. The communists stand in the front rank in this and are setting examples for developing new initiatives.

Achievements Mobilize New Initiatives

As interim balance-sheets at kreis farmers conferences eloquently confirm, obligations assumed are being implemented with success. In livestock production the proportionate tasks of the 1985 national economic plan are being met and surpassed. At the spring tillage--the first great fitness test this year for further increasing the production--the rural working people assume that every day used for well-timed tillage and thorough cultivation leads to higher yields. Their intention is that their achievements in socialist competition should, in particular, turn the 40th anniversary of the victory against Hitler fascism and of the liberation of the German people, the 40th anniversary of the democratic land reform, and the 36th anniversary of the founding of the GDR into high points on the way to the 11th party congress. An all-round fulfilment and targeted surpassing of the 1985 national economic plan is of decisive importance for that.

In crop production the point is to get to the planned yield of 46.3 decitons of grain units per hectare and exceed it by 0.5 decitons. That calls for hectare yields of at least 41.9 decitons for grain, 220 decitons for potatoes, and 340 decitons for sugar beets. In livestock production, a national production of 2,540,000 tons of fat stock, 7,050,000 tons of milk, 4.3 billion eggs and 7,000 tons of wool has to be ensured.

Great weight attaches to the further improving of the cost/benefit ratio, to the materials and energy economy, and to trimming costs. Thus the plan also anticipates to meet the spare parts requirements in farm equipment in 1985 at 50 percent from reused parts. Compared with new production this would result in an economic benefit of roughly M 1 billion and a saving of 118,000 tons of rolled steel, cast iron and aluminum. At the same time, the energy consumption in agriculture, forestry and foodstuffs is to be reduced by 2.5 percent. All this makes possible reducing prime costs by 0.8 percent below 1984.

All this clearly expresses that the cooperative farmers, as reliable alliance partners of the workers class, want to contribute through their performance more effectively still to strengthening our workers and farmers state, and thus to the safeguarding of peace. They seek the highest productivity of their labor so as to assure the population at all times with stable food supplies and the industry with raw materials.

The trust the cooperative farmers and the workers in socialist agriculture have in our tried and tested party policy proves a fundamental power source for new initiatives. They are making more efforts, in line with our proven agrarian policy, in using more effectively still all the potentials and opportunities of cooperative property and cooperation. That is served by the further development of socialist democracy, the ever closer connection between science and production, and the stronger application of socialist industrial management. It makes possible an ever better utilization of the economic laws of socialism. A working style linked with the masses on all management levels does well here in being aimed at providing political leadership for solving all tasks.

Priority Development for Crop Production--Secure Basis for Livestock Production

By implementing the resolutions of the 10th party congress and the 12th Farmers Congress, we increasingly better succeed in using all qualitative growth factors especially through applying science and technology and the experiences of the best units, and hence, in successfully implementing the economic strategy. It has been found useful here to work with acreage-related maximum yield and stable-related maximum performance conceptions, so that the close partnership between science and practical farming can most fully be realized. However, those conceptions will do that only if used as regular management documents for carrying out all work at a high quality and proper as to schedules. Using them is not up to the individual, it is a basic requirement.

Experiences in progressive LPG's have confirmed that it makes sense to make these conceptions more precise each year while new data are being taken into account. Not last because of that, the Albersroda and Dobitschen LPG's (P) have, e.g., on good soils (acreage figures from 59 to 83) achieved on the average of the years from 1981 to 1984 as many as 74 decitons of grain units per hectare of LN [agricultural area]. No less impressive are the yields of the Zodel and Oehna LPG's with medium-quality soils (acreage figure around 35) and more than 57 decitons of grain units per hectare of LN, and the Goehlen LPG with very light soils (acreage figure 19) and a yield of 48 decitons of grain units per hectare of LN. At the same time, experiences have demonstrated that the precision-making has to be undertaken by the production collectives in LPG and VEG departments and brigades together with their managers themselves, to create the requisite campaign posture for further performance improvements. It has been found useful to combine this work with an analysis that reveals still existing deficiencies and weak spots. Higher yields are achieved when yield-blocking causes are surmounted. That implies that no one will settle for mediocrity, that everywhere a clear position is taken on the soil as the chief agricultural means of production and it is made sure that it will be worked with the necessary care and abundance.

Soil is not just a labor object but a living organism whose proper cultivation in a special way increases yields. It is useful to carry out annual performance plowing comparisons and to support a critical position taken by all mechanizers toward inadequacies through moral and material incentives.

LPG's and VEG's with stable yields for years apply maximum yield conceptions for all acreages, including the pasture land. They make use of them to apply optimum techniques (like the guide track procedure or the procedure for growing maize rich in cobs, or equipment combinations to restrain soil clodding) whereby they then get a fuller use out of the yield potential of useful plants. What it actually amounts to is a coordination of the most important intensification measures and making a complete use of the vegetation period by affecting the growth conditions in a target-directed manner. That also is the point of the inferences drawn from the 1984 grain harvest yields, analyzed in all LPG's and VEG's. All data and experiences in science and practice confirm that efforts to increase growth reserves and surmount unjustified level disparities are to be oriented primarily to the following points of major emphasis:

- Higher soil fertility and an agriculture that makes the most efficient use of each square meter of soil through an optimum quality of labor in each operation. Together with a proper use of fertilizers, this controls about 50 per cent of the potential increase in yields;
- exhausting all reserves in qualitatively and quantitatively adding organic substances to the soils. We must make the most effective possible use of each kilogram of organic substances (such as solid and liquid manure, dung water, straw, compost, vegetable residue). Where humus levels are balanced relative to acreages in LPG's and VEG's, the highest and most stable yields are reached;
- growing more catch and supplementary crops, especially leguminous varieties. Each hectare used that way gives us a plus in crop production and in the humus balance;
- raising the productivity of mineral fertilizers, including calcium, in applying them consistently in accordance with fertilization recommendations since, e.g. for grain, nitrogen admixtures in intervals and, for corn, in phosphor, ensure higher yields;
- carrying out everywhere scientific crop rotations on all acreage in all LPG's and VEG's and arranging acreages so they can be taken in at one glance, in conformity with local givens. Then one can keep better track, e.g., of alterations in soil conditions and cultivate varieties that still require much manual labor at the outskirts of villages more easily;
- using advances in growing techniques with more accurate delineation of plots for some varieties and a fast expansion in growing new varieties;
- improving herbicide protection through fine cultivation, insecticide and pest control and targeted protection measures, sensibly combining mechanical and chemical means in getting rid of weeds;
- a complete use of the intensification factor of water, building it into the maximum yield conceptions, since controlling the ground water budget in soils is indispensable for getting high yields;
- enhancing agro-technical discipline in all field work to ensure on each day during the vegetation period the highest possible growth of plants on each acreage; and
- reducing storage and canning losses and doing away with quality grades 4 and 5 for bulk fodder conservates since they lower the animals' performance capacity and the fodder economy.

To tap these reserves, all LPG's and VEG's concentrate on rationalizing and modernizing installations, machinery and production procedures while further improving the working skills of the cooperative farmers and workers. It enhances the effectiveness of the equipment assigned to coping with several projects simultaneously, makes more efficient use of the labor capacity, and reduces the excessive differential between grown and harvested crops still found in some LPG's and VEG's.

Livestock production is also facing high requirements. As maximum yield conceptions have proven themselves in crop production, in livestock production we have the maximum performance conceptions for consistently exploiting all qualitative growth factors. The cooperative farmers and workers in the livestock production LPG's and VEG's plan to work with these conceptions in all stables. In line with the requirements of intensive extended reproduction, they concentrate on solving mainly the following tasks:

- Further improving the fodder economy by one percent, especially by adequate, qualitative and quantitative, feeding and well balanced fodder rations. That facilitates trimming fodder consumption in the GDR by 250,000 tons of grain units;
- improving daily weight gains for pigs and cattle and expanding the crossing with fatstock bulls for at least 20 percent of the cows, making cattle breeding more effective;
- intensifying calf and heifer breeding to have cows eat more bulk fodder so we will get more milk;
- increasing the milk output per cow, mainly in stocks where the performance still lies below 3,500 kilograms per cow per year, and extending the useable working life of the cows as one of the most effective measures for further improving the whole cattle economy;
- extending and intensifying pasturage and the use of fresh fodder, since that has more energy and is cheaper than feeding conserve made of it;
- ensuring a stable reproduction of cattle stocks by breeding at least 100 calves per 100 cows and 20 piglets per sow, from the first litter, in further reducing livestock losses;
- starting or expanding sheep herds in all cooperatives better to satisfy the wool requirements of the economy and further improving the fodder economy in these cooperatives; and
- modernization and rationalization of more stables to make a better use of the means of production and make the work easier. This is a worthwhile field for the assignment of innovators, rationalizers, the Fair of the Masters of Tomorrow movement and youth brigades in developing the productive forces and boosting the labor productivity.

The fodder economy calls for special attention. The correct feed in proper order and feeding in proper efficiency and varieties greatly control the animals' capacity and the level of the fodder economy. Working with norms is as important for that as exemplary hygiene in the stables and good animal health. All this successfully implements comprehensive intensification also in livestock production.

Solving the major emphasis tasks in crop and livestock production ensures increasing production while production consumption drops and that the net product, profit and the farm product grow faster than the gross product. That accomplishes agriculture's anticipated contribution to the GDR's national income, further raises the domestic supply level and diminishes imports.

LPG's and VEG's Consolidated Through Cooperation and Performance Comparison

Our party resolutions on reinforcing cooperation are of an importance of principle to performance improvements in socialist agriculture. A purposeful effort is organized on that basis by the LPG's, VEG's and their cooperation councils because they surely know cooperation does not come by itself. Through speeding up the application of scientific-technological progress and a broad utilization of the experiences of the best units, they aim their efforts at lending intensification a comprehensive character, and they increasingly learn to use the potentials of cooperative property for developing the productive forces and an ever improving economic management. They also reinforce the production collectives in the LPG's and VEG's and their cooperation in the villages while, through their economic achievements, they create the requisite premises for further improving the working and living conditions.

The streamlined reproduction process of soil-crop-animal-soil is thus constantly made more effective for the benefit of all partners while the LPG's and VEG's juridical independence and economic in-house responsibility are fully protected. All the measures that have to be taken along with it are thoroughly discussed ahead of time with the cooperative farmers and workers. That is in line with the essence of socialist democracy; it encourages their will to perform.

Performance comparison has done well as a management method; when combined with experience exchange, it improves the performance. It is already being used for constantly discovering and exploiting new reserves in some 90 percent of the LPG's and VEG's. Precise measurements, computations and weights are promoted this way, and the effort at steadily improving the cost/benefit ratio becomes successful. Reinforcing cooperation and performance comparisons help consolidate the LPG's and VEG's and help surmount faster unacceptable level disparities in production and efficiency.

If we want to repeat, even solidify and further extend, the 1984 results, the principles and solutions of socialist industrial management have to be applied comprehensively. Especially effective here are the perfecting of production and labor organization along the territorial principle and its combination with the performance principle. The decisive criterion for the development lies in their own and the net product, the costs and the profit. Establishing a direct connection between production development, efficiency and remuneration makes it easier to understand for the cooperative farmers and the workers in socialist agriculture how much economic growth and development in working and living conditions depend on each other.

Wholly in this sense we are going to continue to improve in-house planning and accounting in terms of departments, brigades or stable collectives as well as our working with norms. That also includes the assignment and training of departmental and brigade economists.

In solving these tasks, the scientific-technical centers of the bezirks ought to provide still more effective help right on the spot. Then the active work done by the Agrarian Science Society will pay off, and the close cooperation of LPG's and VEG's with local organs and all social forces in the village will really make a difference. It is up to the state and economic management organs and the territorial people's representations to grant all necessary aid to the LPG's, VEG's and their cooperatives.

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GERMAN DEMOCRATIC REPUBLIC

EFFECT OF NEW TECHNOLOGY ON LIFE, WORK ASSESSED

East Berlin EINHEIT in German Vol 40 No 3, Mar 85 (signed to press 11 Feb 85)
pp 238-244

[Article by Prof Dr Harry Nick, head of the research department at the Institute for the Political Economy of Socialism of the SED Central Committee's Academy of Social Sciences: "Comprehensive Intensification and the Socialist Way of Life"]

[Text] At the ninth Central Committee session, Comrade Erich Honecker was in the position to state that intensive extended reproduction had become today the decisive basis for our economic growth. Keeping at comprehensive intensification over the long haul--that is what the new stage in the implementation of our economic strategy amounts to. Continuing the turn initiated thereby makes new demands on practical management activity and also presents a great theoretical challenge. After all, in the task "of focusing the GDR economy fully on the main way of intensification may well engage us altogether in the thus far most far-reaching perfecting of our economic organism and of all sides of economic activity."*

So pervasive a change in the mode of production as intensification is bound to effect considerable changes in the people's way of life as well, because the "mode of production must not be considered simply as being the production of the physical existence of the individuals. Rather it is a definite form of activity of these individuals, a definite form of expressing their life, a definite mode of life on their part."**

Of special importance to an ever stronger fashioning of the socialist way of life are the effects of the modern productive forces--the most revolutionary element of the socialist mode of production--actively conveyed through the production relations, on the way of life. These are effects which in their social quality are as opposite under capitalist and socialist conditions as the two social orders themselves are. Difficulties in understanding the effects of the modern productive forces on the people's way of life often are due to that the

*Erich Honecker, "The Socialist Revolution in the GDR and Its Perspectives," "Reden und Aufsätze" [Speeches and Essays] Vol 5, Dietz publishing house, Berlin, 1977, p 487.

**Karl Marx/Friedrich Engels, "The German Ideology," "Werke" [Works] Vol 3, Dietz publishing house, Berlin, 1958, p 21.

increase, the clearer projection of these opposites, however, is based, not on contrary, but largely similar objective developmental tendencies in the modern productive forces--microelectronics, robotics, information technology, automation and others. The notion that socialism ought to seek the lifestyle germane to it through a "very different" type of technology misperceives the real relations between the development of the productive forces and of the production relations. A few theses shall sketch the complicated connections that are pertinent here:

--Productive forces development follows its own inherent logic, resulting from an, above all, objectively determined sequence in the appearance and resolution of contradictions in the issue taken between man and nature. The scientific-technological revolution is neither capitalist nor socialist. The scientific-technological revolution of our time is a worldwide process of revolutionary transformations of all objective elements of production. Accordingly, there is no sense in talking of a separate socialist or capitalist type of technology, caused by the given production relations, as it were. An entirely different question is that of combining the advantages of socialism with the scientific-technological revolution, precisely to lend wings thereby to the revolutionizing development of science and technology and making them fully serviceable to man.

--The given production relations determine the goals and social impulses in productive forces development; effects from them modify other structures as well. The social character of the scientific-technological revolution cannot however be primarily determined by the production relations under which it is proceeding, but mainly by those that it requires. That is to say, the productive forces are by no means "indifferent" to the production relations. In this sense, the type of technology maturing through the scientific-technological revolution in its totality does belong to the new, communist society.

--The basic features of the way of life are directly determined by the production relations. Typical social phenomena, such as the mass unemployment in capitalist countries, result from the specific socioeconomic relations. Yet productive forces development ultimately remains the decisive source for changes in social processes in that it effects the fashioning and unfolding of the typical features of a given social order. When there are socioeconomic causes for unemployment, the development of modern productive forces goes hand in hand with a trend toward more unemployment.

What intensification and scientific-technological progress do in fact mean to man and how they change his life is given visible expression in the change of his lifestyle. The value of the term "lifestyle" is that it makes possible a complex judgment on all forms and elements of human activity in life and defines the "quality of life." By lifestyle we mean the totality of fundamental forms of human activity in life--work, social activity, intellectual-cultural activity, leisure time conduct, the culture of interhuman relations and such--and all their interactions. Objective and subjective factors determine the lifestyle, their interactions becoming more intensive and the subjective element--individual capabilities, education, norms of behavior, attitudes toward life--playing an increasing role.

Precisely under the aspect of the totality of men's living conditions, which in the process of the shaping of the developed socialist society ever more comprehensively fashion their unmistakable essential features, one comes to see the humanism of the socialist social order, and the differences in typical traits as between the socialist and the capitalist lifestyle, their contrasting developmental trends, become more prominent:

--In socialism all people live in social comfort in all their circumstances of social life. In capitalism, that is in no way so. On the contrary: The striking tendency in social welfare cuts there runs toward "social denudation."

--Men's working conditions are incomparably better in socialism. Purposeful and successful efforts are being made to reduce heavy physical and mentally monotonous work and labor accidents--already now below comparable figures in capitalist countries--and to improve the working culture.

--The people's educational level is in general noticeably higher than in capitalist countries; above all, there are no longer any educational privileges for social groups.

--Clear are the more and more pronounced differences in the quality of social relations: While the public property and social justice based on the performance principle stimulate solidary attitudes, mutual help and comradeship, the profit economy and competition in the capitalist countries sharpen the social injustice and encourage indifference to the fate of fellow-men and more frigidity and cynicism in interhuman relations.

--The scientific, deeply humanistic, world-outlook of the workers class, Marxism-Leninism, together with social experiences, more and more determines men's value concepts and orientations in life, while in the capitalist countries irrationalism and anti-human models are spreading more and more. Humanity and solidarity must incessantly be defended there against the basic effects stemming from the socioeconomic circumstances and against the ruling ideology.

All this shows a different general sense of life and a sociopsychological climate the most important element of which in socialism is a basically optimistic mood but, in capitalism, selfishness craving instantaneous gratification and a widespread sense of dread. Embedded in it are contrary valuations of social phenomena like science and technology.

The Growing Weight of the Intellectual-Cultural Level in Our Life

What effects technological progress and intensification actually have on the broadening, enhancement and enrichment of our life is determined not only by the qualitative nature of objects made available to man, but greatly also by the needs and valuations designed within the lifestyle, by men's intellectual-cultural level. The same material well-being may mean a distinctly different quality of life to different people because of the relative independence of the subjective factor, depending on how much an individual can make the cultural value of his well-being meaningful to himself and the extent to which his ability for pleasure is developed. "If you want to enjoy art, you must be a person educated in the arts" (Marx). TV, e.g., offers great intellectual

enrichment to many people, gives them access to new sources of education and entertainment, and encourages their exchange of ideas--as intellectual experiences are massively identical. To others, however, this same medium means less communication, less sociability, maybe even mental impoverishment. That is likely to depend most decisively on the attitude and the intellectual-cultural demands made by those who use this medium, whether one, say, carefully selects what suits his interests and inclinations or passively surrenders to uninterrupted TV watching ready to consume anything, even possibly prefers the less demanding programs. What changes actually do occur cannot at all be explained looked at from the technology. What, rather, does become increasingly clearer is that the development of the socialist lifestyle has more and more influence on it. Notably the subjective factor, the active attitude a man takes to his environment, and the wealth and variety of his intellectual-cultural interests and social relations increasingly control what value the growing material wealth in fact has for man.

Increasing Technification of Mental Work

Intensification extensively changes the objective foundations of the socialist lifestyle, mainly the material-technical and organizational conditions of labor. The technology created by the modern productive forces is all the way through an intensification and rationalization technology. Through fundamental innovations, i.e., key technologies or basis innovations, it opens up completely new and extremely productive sources for efficiency advances. That they are turned into broad efficiency currents crucially depends on the range and dissemination rate of such innovations. Hosts of other innovations, especially in the users' sector, are needed for that. It demonstrates an entirely novel type of linkage between the depth and breadth effects of technical and technological transformations.

To be successful, e.g., it does not suffice simply to procure and apply, say, highly integrated circuits or industrial robots. Rather, extremely demanding tasks have to be coped with in altering their technological and organizational perimeters, making a close tie between R&D and the innovator movement imperative. All this simply means is that the new quality of rationalization, its new dimension, follows from its connection with the scientific-technological revolution. Vice versa, comprehensive rationalization is categorical for fully opening up the efficiency potential of fundamental innovations.

Greater efforts in this sector are all the more important as such modern technology is to be linked as much as possible with the technology already in place. Precisely from there essentially come the demand and opportunities for modernization, which is supposed to become the most important form of reproduction for equipment. How urgently the insights and experiences of the researchers, engineers and workers in the users' sector are needed for it indicates that a massive scientific-technological creativeness gains new large fields for action from the scientific-technological revolution. That is another reason why creativeness is gaining very much importance as an essential element in the socialist lifestyle.

If one inquires about the process which most permanently marks the overall course of scientific-technological progress and emits the largest radiation on the technological and economic production level as well as non-producing areas, on the

entire culture and lifestyle of men, the answer is that it is the increasing technification of mental work. It is mainly caused by a change in the type of technology. Whereas classic machinery was mainly a technique in energy and substance conversion, with the technification of mental work a new type of technique arises, that of data processing in the largest sense (collection, transmission, storage and processing of data). This technique either combines with energy and substance conversion processes and leads to automation because it takes over the data processing needed for the control and regulation of the processes, or it exists fairly independently, when the task at hand amounts to data processing directly.

This new type of technique triggers changes in all directions of human activity:

--In immediate production it effects more efficient technological processes, with man leaving the production process per se and turning into a regulator of a higher order.

--It provides research with more efficient working tools and leads to a revolutionary transformation of all engineering work, as indicated by the computer-aided work places before screens for designers and technologists.

--It for the first time makes possible a pervasive rationalization of office work, based on scientific-technological progress.

--It generally provides much faster, easier and cheaper access to knowledge available, which is of the greatest importance for scientific-technological information, but not exclusively for that.

--It affects as hardly any other technical development in the past the material living conditions in the household sector and the leisure time area as such (information, entertainment, home-computer).

The strongest impulse for the development of the entire information technology comes from microelectronics because it makes possible, through the progressive miniaturization, lower costs and performance improvements of electronic components, using this technology wherever data processing operations can sensibly be technified. Yet it does not only powerfully promote the spread and increasing effectiveness of information technology, it causes also an important qualitative change in man-machine communication: the transition from stacked data processing (a load of data is handed to the ADP specialists who prepare the program for their machine processing, the result becoming available after a certain amount of time) to on-line processing, the direct dialogue with the computer, and this in the natural (written) language. This development brings it about that data processing more and more issues forth beyond, as it were, the organizational and computer centers and gets to work places with individual terminals, increasingly found in control centers, master workmen domains, and offices. This contradictory tendency of a simultaneously advancing centralization (research centers, data banks) and decentralized data processing makes high demands on training and helps enrich the work with intellectual-creative elements. Man then gets in more and more fields, mainly at work, an "intelligent partner," as it were, that expands his mental capacities and challenges them too. The ongoing technification of intellectual (and sensory) functions is going to affect all parts of the lifestyle more than any technical transformation ever did.

A Productive-Creative Work Attitude, an Optimistic Attitude toward Science and Technology

The socialist lifestyle, characterized mainly by an active attitude toward the environment and an optimistic mode of living, is expressed, especially, at work. It creates the most favorable prerequisites for successful intensification and rationalization.

As experience keeps proving, this is a productive-creative overall stance taken by man--intensive labor, high social activities, varied and energetic leisure time activities, ambitious and diversified intellectual-cultural interests and social relations--in other words, all that a fulfilled life amounts to, while it also is the most important feeding ground for innovator work. Such an overall posture, also marked greatly by activities and habits at leisure, triggers powerful impulses for socialist rationalization. The socialist lifestyle, which is a human value in its own right and of course by no means derived exclusively from labor requirements, from intensification, is yet at the same time the lifestyle that accords with the intensification processes.

That is especially true of man's attitude toward scientific-technological progress as the chief intensification factor. A massively reluctant or even indifferent posture over against scientific-technological progress, as is found today in capitalist countries, would be incompatible with socialist intensification, which relies on man's conscious creativity. Our world-outlook and the objective requirements for our social development, as well as men's practical experiences, give rise to a constructive attitude toward scientific-technological progress. Technological progress, i.e. the production and extended reproduction of an artificial environment created by man, which constantly enlarges his physical and mental capacities in coming to grips with nature, is the most important factor in the type of evolution that is specifically human, which simply does not merely proceed by way of biological inheritance, but as a "social heredity." Technology--here we have man's "stored up genetic capacities," the "open book of essentially human capacities" (Marx). Their progress is the deepest source of social progress. Thus any sort of pessimism about technology must, in ovo, be antihumanistic.

It is extremely important to acquire this constructive-optimistic view also in the emotional and aesthetic sphere. The "industrial aesthetics" created by architects, artists and craftsmen in our century's first decade (Deutscher Werkbund, Bauhaus), which no longer wanted to hide the industrial origin (mass production) of objects by external ornamentation but instead, by frankly announcing that origin, as much as the practical function of those objects, sought an aesthetic effect along with it, remains one of the great cultural achievements of our era, calling for careful cultivation and extension.* Robots, automated technical systems, technical consumer goods, having a beauty that also comes into effect through its utility--all these creations of human efforts designed, under our social conditions, exclusively to ease and enrich human life, must be looked at in a very broad and complex sense as something of our own, and not something alienated from man; then we shall also sense the beauty that is germane to them.

*Cf. Winfried Schubert/Rudolf Woderich, "Wissenschaftlich-technischer Fortschritt und Arbeitskultur," Dietz publishing house, Berlin, 1983, pp 90 ff.

The way we relate to, sensibly use, the objects in our environment marks one of the most important elements of the socialist lifestyle, setting it off profoundly from the "throw away mentality" in the capitalist lifestyle. In dealing with those objects, our own living culture expresses itself as does the attitude we take on the work of others and--principally in the means of production--to our state and society.

The greater chill in interhuman relations, much bewailed in capitalist countries, does not stem from technology, not from some purported demarche of a "world of cold machinery" or a "heartless rationality," but from the devastating social effects of the capitalist application of modern technology which express themselves in unemployment, hassle at work, disqualifications and other manifestations cutting into the joy of living. The attitude toward technology is determined, not primarily by the ideas disseminated about it, but by the social experiences people make using it. Precisely because of that there are no tendencies toward technological pessimism among those among us who are dealing directly with technology and scientific-technological changes. For the same reason has the people's attitude toward technology become drastically negative in the capitalist countries, at very short notice, mainly in the aftermath of the last economic crises and the permanent high unemployment. Polls have brought out that while in 1972 still some 80 percent of the young people in the FRG expected good things to come from technological progress, that had dropped to 40 percent in 1980. "Social acceptance of technological development has largely vanished precisely in those age-groups that should have to carry on technological development in the decades ahead."*

Even under socialist conditions is scientific-technological progress a complicated, contradictory process, albeit in a constructive manner: How can we push it still faster and raise its economic and social benefits? Along with high and growing demands made on the quality of management and planning, it mainly constitutes a great challenge to the individual, his readiness for great efforts that sometimes reach the limits of human capability, for combativeness, daring and determination, imagination and discernment, cooperation and, of course, the willingness always to learn more, change one's work situation and assume new tasks.

The complication of the task comprehensive intensification confronts us with follows from its high level of demands and its inherent contradictoriness:

--Efficiency effects are decisive, and this in all directions of the scientific-technological progress simultaneously. We seek solutions that save labor, energy, materials and funds while we are seeking improved labor conditions and an economic growth that is easy on the environment. Which means that the criteria for economic and social progress have become more numerous. Especially also in this sense, long-range and side effects and repercussions have to be carefully predetermined.

*Kurt Biedenkopf, "Technik 2000--Chance oder Trauma," Stuttgart, 1982, p 19.

--The magnitudes of possible effects attainable through scientific-technological progress (as well as of possible losses through wrong decisions) grow very fast in view of the social wealth administered by the managers and also by individual workers. This generally increases the demands made on the sense of responsibility. The elemental rules of social thrift--the full use made of working hours and an economical use of investments and material--become all the more important when we can produce more of a product from one kilogram of material in one working hour. Thrift in the direct and, at once, prudent sense must be understood as an extremely important element of the socialist lifestyle.

--The inevitable field of tension in people's attitudes and modes of conduct gets broader and stronger in general as a prerequisite and effect of comprehensive intensification: More imagination and more of a sense of realism, more innovation and awareness of tradition are needed, the increasing role of theoretical knowledge and practical skills and facilities must be coped with--all of which is required of more and more people. These growing demands also raise the question: How can one maintain a sense for what is necessarily constant in an environment changed by technical progress and with the high dynamics in economic processes? This relates not only to the domains of technology and economics, but even involves the stability of fundamental convictions, values and modes of conduct. The idea that, because "everything is in flux," everything thus would have to be placed in doubt time and again, and that there is nothing for man to hold on to and get a reliable orientation from, is incompatible with the socialist lifestyle.

--In its general and paramount tendency, scientific-technological progress makes mounting demands on responsibility, education and training and expands opportunities for enriching labor with intellectual-creative elements and for an ever more harmonious linkage of mental with physical work. At the same time it is found that precisely in those sectors in which the most up-to-date technology is being used the inherent contradictoriness in the totality of work demands may be very great: high attention required for long stretches while activities themselves are relatively low, abruptly changing into fast, flexible and optimal reactions, highly creative activities interspersed with routine operations (which must then also be carried out in a truly routine fashion, i.e. fast and accurately), high demands on a strictly analytical-methodological mode of thinking, on the accuracy of labor operations, calling for a strong intrinsic labor motivation, and high psychoneural stress. All that is included in possessing the qualifications tendentially demanded by modern production. These are in part facilities not obtainable through training in the sense of instruction in knowledge; instead, they place demands on education and the forming of character. In part they are demands made on specific personality structures, which can hardly be modified in an individual and can be coped with only in having the person find the "right" job. The tendency in the objectification of production and management processes, caused mainly by advancing automation (labor results are essentially determined by the performance parameters of the installations and the programs fed into them--the software), finds itself confronted more and more with the effect of the subjective element: the subjective motivation, knowledge and skills and character traits. This essentially explains the meaning of man's "holistic constitution," his lifestyle, to the intensification processes.

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HUNGARY

APPLICABILITY OF LEASING IN HUNGARY

Budapest GAZDASAG in Hungarian No 4, 1984 pp 83-97

[Article by Dr Vera Rudnai (Mrs Gyergyoi): "Leasing and Its Applicability in Our Homeland"]

[Excerpt] Is Leasing Unambiguously Advantageous For Those Using It?

Opinions about this are divided. While some experts feel that leasing provides greater flexibility to undertakings making use of it--with the aid of it they can adapt quickly to market changes--others, on the other hand, see less flexibility in it--the user is forced to use the equipment according to its purpose and maintain it until the contract expires.

A user may have greater confidence in an item transferred by leasing than if he had purchased it, for the leasing company has an interest in seeing that the item can be used according to its purpose for as long as possible. At the same time, the leasing company interposes a sort of "guarantor" relationship between the seller and user. This is especially true if the lease is coupled with the provision of service.

It is unambiguously advantageous that in general the leasing companies have extensive market and technical experience. It is also felt that use of leasing reduces bookkeeping work. While leasing in general is considered an expensive way to make use of assets, it is an argument for it that it relieves the user of that liquidity nadir which frequently accompanies long term traditional investments.

Koch-Ploog has tried to discover with a model computation when it is advantageous to use leasing. Among the many factors, he took into consideration taxes, interest and the yield of one's own capital. Presuming that it is possible to maximally exploit that part of one's own capital not used because of leasing, three variants can be opposed to one another: cash purchase from one's own capital, purchase on credit, and leasing which does not tie up one's own capital. The result of the comparison was that using one's own capital is the most expensive. If the tax obligations are high then leasing is more advantageous for the user than a credit investment involving his own capital. One hundred percent credit proved to be most favorable, however, such things do not exist in practice. The higher the rate of

interest and the higher the costs of investing one's own capital, the more favorable the leasing solution is. Actually, an undertaking should make use of leasing if it has little capital of its own and if the rate of return is high.

Buschgen also mentions such calculations. We are acquainted with financial-mathematical procedures which establish the net influx of capital value on the basis of various financing alternatives. But usually these do not include the fact that in general the repayments connected with credit financing take place semi-annually, while leasing causes an even monthly outflow of assets, hardly permitting the accumulation of assets--intended to cover repayments--at the user site. In the opinion of Buschgen the results of these mathematical approximations cannot be generalized, they are suitable only to judge individual cases.

In an interesting way a psychological motif also plays a role in judging the question--the attachment to property. While an owner frequently greatly overestimates the remnant value of an item, there is no such problem in judging the value of a leased item. (It is true that another factor here is that the market remnant value could exceed the original value decreased by the leasing installments, and the user does not want to pay more than the originally agreed-upon purchase price.)

It appears that leasing is used primarily for tasks which are peripheral or temporary compared to the chief activity. Frequently the capital-poor subcontractors gathering around a prime contractor will get access to the tools of production through leasing (possibly from the prime contractor). High operating costs due to a special manufacturing process or other causes can be shared through leasing (with several users, one after another) but it is also applicable to common operation (parallel use). The leasing form can facilitate the employment of special experts and the development of a concentrated, high level repair base.

In the final analysis one can judge the advantageous nature of each leasing deal only by a complex consideration of the entire economic process after studying the market prognoses. In a given case one cannot always calculate which financing form is more advantageous for the undertaking; one cannot always realize the effect on property, liquidity and capital structure. The chief motive at the time of signing a leasing contract may be different at different times--the entire range of financing possibilities, leaving existing credit possibilities unchanged, secure forecasting of costs, the impossibility of new acquisition at a higher price due to inflation or the fact that the expenditure for tools of production parallels the income therefrom.

Leasing as Ready Alternative to Bank Credit

In general the bank requires a guarantee over and above the item, it does not analyze the individual items or their economic conditions. If it does not see a sufficient guarantee it reduces the proportion which can be financed. In the case of financing a single item, especially if the maturity is longer, the financing participation of the bank is a good bit lower than that of a leasing company. According to Konrad we can take it as a rule of thumb that the bank

will offer credit to cover at most 50 percent of the investment, thus half of the investment will reduce the liquidity of the future owner. He notes in this connection that in many places the mid-level managers of an enterprise travel in leased automobiles, but the top managers travel in vehicles which are the property of the enterprise.

If the user cannot show an adequate guarantee to make use of bank credit, leasing may still be a path he can follow. In this case leasing really expands the financing potential.

The leasing company can accept "softer" conditions than the bank, because in the event of the bankruptcy of the user the leasing company retains ownership of the item and, making use of its knowledge of the market, is well able to sell it. In contrast to this the bank, in the event of bankruptcy, can appear only as a creditor and in the best case will get its credit balance. Only one form of leasing, "sale and lease back," offers such possibilities and, primarily by adapting the deal to the concrete circumstances, recognizes so many methods of payment that long-term bank credit cannot compete with it. The legal prescriptions do not allow the banks to have various alternatives, and the prescribed security reserve also makes the situation of the bank difficult in such cases.

And yet, in general, the leasing company is in a weaker position than the bank. On the one hand it can offer only definite items, compared to the more general credit of the bank, and on the other hand it works more expensively than a bank, because it maintains its own expert apparatus, assumes greater risk, and in the great majority of cases works with bank credit itself. What improves the competitive situation of the leasing company is that all the costs of leasing are fixed in advance, the user cannot suffer an unforeseeable disadvantage from moral obsolescence, and the leasing payments can be computed as operating costs in their entirety.

The spread of leasing deals took place at the direct expense of bank credit offerings. This regrouping from bank credit to leasing is considered an irreversible process. Recognizing this, the banks have bought shares in leasing companies, or have founded such companies themselves. Even in this case the leasing company has an entirely separate apparatus and unique working methods corresponding to its activity. This organizational link is also advantageous to the user of leasing--the leasing company operating as a bank subsidiary gets credit under more favorable conditions than if it were a customer of the bank itself and so it can offer its business partner more favorable conditions as well. And the bank maintains leasing as an alternative to credit among the things it can offer.

Not every leasing company works as a subsidiary of a bank, but since leasing companies have recurring financing problems, close cooperation does develop with some banks.

In the FRG virtually all the significant leasing companies are bank subsidiaries. As for the refinancing of leasing companies, the assets for this are made available to the leasing companies almost exclusively by the banks.

A unique financing form is the case where the leasing company hands over to the credit-offering bank the funds coming in from the users. This involves an unusually great risk on the part of the bank. The risk is greater in regard to the solvency of the partner; furthermore, technical, tax and legal risks are assumed as well and it must familiarize itself with special care in an area unknown to it if it wants to limit the risk to a level it can tolerate. (For example, it must avoid having the item become legally the property of the bank in the course of the deal; this would have tax consequences, and the bank might find itself culpable in case of fraud. If the deal can be classified as the extension of credit then the bank has obligations pertaining to an obligatory reserve or possible reporting.)

The deal proceeds as follows. The leasing company signs a comprehensive contract with the user, covering the duration of the deal and the sums to be paid monthly. On the basis of this contract it submits a claim to the bank. In the event of agreement the bank pays to the leasing company the accumulated sum of the monthly payments defined in the contract, deducting the interest. The leasing company then buys the item. When it is delivered to the user, the actual bank payment is made, and at the same time the user is informed that the monthly payments must be sent to the bank. With this deal the leasing company turns over its money immediately and has access to its own profit, while passing the solvency risk on to the bank.

But in such a case the bank's risk involves the correct business and technical expertise of the leasing company. It is understandable that the bank insists that the user assume responsibility for damage to the item, that the producer of the item answer for its utility, that the user not abrogate the leasing contract unilaterally, without the agreement of the bank, that the user and the leasing company be collectively responsible for adherence to the contract, etc.

If it is possible for a user to choose between bank credit and leasing, what should he consider? The advantage of bank credit is that a single institution can deal with financing every detail of the undertaking. He can choose the method most favorable for him for the depreciation allowance. He can calculate that the extra profit deriving from the new investment will cover the cost of interest and that the depreciation will cover repayment of the debt. He remains the owner and can dispose of the new item as he will. The profit margin of the leasing company will not add to the expense of the investment.

But the disadvantage of bank credit is that he must use the financing reserve, becoming increasingly scarce, and his capital share in the undertaking decreases in correspondence to the credit used. After repeated use of credit he may be forced to increase his own capital share in order to maintain a secure margin--generally between 20 and 40 percent.

The leasing deal is not simply a banking deal and cannot be judged only on the basis of interest conditions, to a much greater extent an entrepreneurial concept is involved. Today most entrepreneurs in West Europe who want to realize a real estate or equipment investment must study whether to do so as

their own investment or by leasing. Deciding this question is not enough in itself. In each given case one must also consider the bids of different leasing companies, which may differ considerably.

Frequently it proves advantageous to utilize both leasing and bank credit at the same time. This can represent supplementary receipts in a given case, as a result of differing taxes.

The leasing company is following its own business policy too. Primarily it must preserve the right proportions in regard to the size and variety of items.

Is Leasing Applicable Here?

1. It seems self-evident that import leasing is a possible method for technology import which saves foreign exchange. This was recognized in our country long ago, and in 1970 a number of regulations were published which were intended to make leasing possible and encourage it. But developments have shown that hardly any progress has been made in this area.

In capitalist practice the method of leasing across borders is the following: The foreign leasing company, with which work contacts have existed in the past, appears with a need. Then the domestic leasing company signs for the item with the domestic manufacturer, but only as an intermediary, and the item immediately becomes the property of the foreign leasing company. The role of the domestic leasing company in these export leasing deals is limited exclusively to acting as an intermediary, which means that, relying on its own solvency situation, it offers the foreign leasing contact as a reliable partner. So the capital necessary for the deal is at the importing leasing company. Because of the increased risk it is not customary for a leasing company to accept a foreign user as a partner.

So here at home, if we want to deal with import leasing, we must establish a leasing company (or companies) supplied with sufficient capital and having the appropriate expertise, as the "receiving station" for import leasing.

At the same time--I am convinced--the import leasing company could be an organizational form which would raise to a higher level and make more economical the import of equipment and furnishings, licenses, know-how, etc. (And if it succeeded in linking into the international contacts of leasing companies this could result in the import of better quality products and technologies.)

2. There may be at least as much if not more rationale for export leasing, taking into consideration its market expanding effect in regard to both the general receiving capacity of the market and goods not introduced on the market. This also would require one or more domestic leasing companies which could be partners of a foreign one in technical, legal and other respects. An export leasing company could make good use of the intellectual capacity here at home. It could encourage the development of an area of the infrastructure not adequately built up--servicing the products sold and supplying them with spare parts. It would be a good way to advertise Hungarian goods--people would

become acquainted with them "at home"! In addition to this it would bring the domestic producer closer to the international market, help him judge it, encourage him to a more flexible exploitation of the possibilities being offered in every respect, plus encourage export which meets the requirements.

In my opinion there are prospects for leasing across borders not only in the capitalist alliance but in the socialist alliance as well.

3. I feel that the domestic operation of leasing companies could be economically useful. (Elemer Gyorgy Tertak makes a concrete proposal for this in his article. See the bibliography.) It would advance matters if a few well prepared experts were assembled in a smaller or larger team and conducted an international survey of leasing activity in a definite area. A complex team allied with a leasing company oriented exclusively for profit could certainly judge better the international market, future and real value of certain products and the real profit which each modern manufacturing line or plant must bring.

At the same time, a leasing company is not an authority. It influences and encourages technical development and economical production with market tools. It is the right and well conceived interest of a leasing company to supervise the proper operation, professional maintenance and economical use of its equipment. At the same time, it can implement its supervision and stipulations regarding economicalness on a material foundation, and its own material interest runs counter to making concessions to the user.

It can be hypothesized that investment activity would be better thought out and more economical with the interposition of leasing companies. It follows from the essence of a leasing company that it provides a high degree of fixed assets mobility, it has no interest in operating morally obsolete equipment, and it has no enterprise ("survival") or branch of industry interests either, but is oriented only toward profit. Thus I consider it a possible form for capital allocation.

Deficient capital mobility is recognized as one of the obstacles to our development. I think that with its preparedness and interest a leasing company could solve this optimally. And western practice shows that a large number of leasing companies are highly specialized, each company develops its own profit margin too, but as this profit margin falls below a certain level the leasing company "switches gears," withdraws its money from the area it had specialized in and moves to one more profitable.

An extensive network of domestic leasing would also have advantages from the viewpoint of economic review--one could quantify that yield which we would have to achieve as a minimum for each item of fixed assets, abstracted from the concrete circumstances. On the basis of this we would get a very objective standard for the development of optimal ratios of the several economic branches.

It might be asked: Would not building a leasing network into the economy result in a simplification of economic guidance and economic regulation?

It appears that this might permit building into the economy a normative automatism with penetrating force. (Unfortunately, a healthy price system would remain a condition!)

4. I would go a step further, beyond the present capitalist practice. To what extent could a socialist type economy be built fundamentally on a leasing mechanism?

It appears that the leasing method represents a qualitative change. It is possible that we are dealing with a new economic concept. In part this is a link to be built along side the banking sphere, but more particularly it is to be built in between the banks and effective production, a link capable of bridging over the isolation of "isolated" producers more effectively than the banks. In general the direct link between the owner and the tools of production has been broken already in capitalist society, leasing represents a further separation between the owner and user of the tools of production. If we should make leasing general in our economy with the aid of all three types of leasing (finance, operative and "sale and lease back") and other versions, might this not solve the still unsolved exercise of the ownership function, might it not represent a penetrating and effective general regulator?

With relatively full use here of the methods proven in capitalist practice, including the leasing of producing equipment, mineral resources and land, it might be possible to encourage the most economical activities at the national economic level, so that these activities appear as immediate enterprise or cooperative interests.

It would be necessary to establish item-oriented domestic leasing companies in sufficient number so that each would have at least one competitor (or with such overlap). As owners of the tools of production--commissioned by the state--these companies would lease them to the producing enterprises. Their staffs would have to be an industrial "brain trust" in such a way that their members would get their salaries exclusively from the distribution of a certain portion of the receipts of the company. They would lease all the tools of production--from land to computers to office buildings--to those who undertook to use them.

In addition to an effective exercise of the ownership right and encouraging technical progress, another great advantage to organizing leasing companies might be that long-term interest would derive from the deals they make. The companies would have to be very sagacious.

So a leasing company--it would appear--might represent a sort of automatism so that we would always buy and develop the most modern technology. In addition, it could ensure the most effective use of assets, for it would sign contracts with that enterprise which undertook to pay the highest monthly "rent." Suitable competition or not finding a partner could restrain the leasing company from making unrealistic demands, and in such cases the zero yield of their several tools might make questionable the economical operation of leasing or of the company.

So the entrepreneur would rent all the fixed assets, beginning with land and the factory hall, from a state leasing company, the only condition being adherence to the various leasing contracts. Circulating assets would have to be covered from bank credit, under the conditions imposed by the bank (and without the leasing company or the bank being capable of exercising any influence on each other). I think that the strict interest of the entrepreneur in profit in such a system would make all sorts of wage regulation superfluous. The relatively hard, but realistic, conditions--which the best experts gathered in the leasing company would set on the basis of their own material interest--would liquidate "unemployment within the gates" and improve work discipline.

Only a bank credit policy which strives for the maximum rate of interest which can be managed realistically would be in harmony with such a system. It is obvious that the banks would have to make interest in increasing their income from interest.

All of this presumes a transformation of the present structure of our national economy. The profit-oriented economic sector would have to be sharply distinguished from the budgetary institutions guaranteeing supply. The economic "game rules" valid in the two sectors would have to differ radically from one another. It is a condition for this that the budgetary tasks be defined in law. These tasks will change with the progress in building socialism.

Thus I consider it conceivable that we should divide the profit-oriented sector of our economy into two parts having a business relationship to one another: leasing companies, most of which would specialize in a narrower profile, and enterprises, each of which would have contacts with many leasing companies in regard to their tools of production and which would get their circulating assets exclusively from profit-oriented banks in the form of credit.

As I imagine it the structural scheme of the leasing economy would be as follows:

--1. Top level: National Plan Office, Hungarian Academy of Sciences, National Technical Development Committee, the budget, the bank of issue, etc.

--2. Middle level: various leasing companies.

--3. Bottom level: undertakings.

All this would require, in addition to development of a realistic price system, a large scale strengthening of the social and cultural functions of the state.

The ownership attitude poses an obstacle to an even broader spread of leasing in capitalist practice, although it is increasingly recognized that what is essential for an enterprise is not ownership but use. It can be imagined that the method which developed spontaneously there, applied in a qualitatively new

manner, as the organizational foundation for the entire economy, might build into the socialist economy those automatisms the lack of which we feel today.

I see clearly that in considering the domestic applicability of leasing I have not come to entirely new ideas. Similar ideas have seen the light of day in recent years in the domestic economic literature. Still, posing it this way may bring us closer to the desired goal. I believe that a leasing system embracing the national economy and an institutional system--and where necessary a regulatory system--regarding this as fundamental and adapted to it might be a mechanism which might ensure optimal yield based on the social ownership of the tools of production.

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HUNGARY

RECURRING ENTERPRISE LOSSES A CONTINUING PROBLEM

Budapest FIGYELO in Hungarian 7 Mar 85 p 5

[Article by L. Redei, Director of Main Department of Industrial Affairs of the Ministry of Finance: "The Losses Multiply"]

[Text] According to estimates about 2 billion forints in losses occurred in the economy in 1984. Since very many enterprises were "maneuvering" at the time of the survey in November-December 1984 we are in fact speaking of estimated data. There were some who gave a more unfavorable view of their situation in order to gain praise later on. On the other hand other enterprises believed that it would be enough to bear the burden of the loss when it occurred and therefore painted an unrealistically rosy picture.

Despite the uncertainties involved in the estimates, it is already evident that one-half of the approximate sum of 2 billion forints was in industry. Moreover, almost 50 percent of the estimated sum was concentrated in three enterprises. Among the above-mentioned enterprises, four showed losses also in 1983.

The expected 1984 deficits are about 40 percent of the previous year's losses. The decrease can be ascribed to various factors. There are some cases where improvements have occurred as a consequence of enterprise measures. (It must be noted that unfortunately this is not the characteristic factor.) The effect of mid-year, central measures is significant. For example, as a consequence of these measures, the former deficit management of the Business Machine Enterprise and the Precision Mechanical Enterprise was rectified, and at some other enterprises the financial deficits were settled during the rehabilitation process.

The stated loss is to a considerable degree affected by the application of the joint OT-PM [National Planning Office-Ministry of Finance] Decree No 3/1983 of 20 December. According to this, an enterprise with a deficit must account fully or in part as income for paying off the loss--up to the amount of the deficit--the value depreciation write-off actually accounted for in the subject year. (It must be noted that not all could avail themselves of this possibility since some enterprises--with central permission--had already used the 1984 value depreciation write-off for settling the losses of the previous year or years.

It is also a fact that the amortization used in this way will not be available to the sources of the development fund, and therefore it generally increases the fund shortage.

Those Same Enterprises

The incentive fund shortage expected in the economy after 1984 is about 7.4 billion forints. Moreover, the total of the earlier accumulated, unsettled debt which was suspended by central decision comes to almost 4 billion forints.

The greater portion of the fund shortage, about 8 percent, is in industry. More than 60 percent of the expected shortages are concentrated in eight enterprises. Seventeen of the enterprises from the above-mentioned groups had a fund shortage in the previous year as well.

Unlike the losses, which declined in 1984, the estimated incentive fund shortage will be about 70 percent greater than in the previous year. More than 60 percent of the increase occurred in industry.

Among the causes of the increase should be mentioned the fact that in many places the latent enterprise problems have not been definitively solved but were the subject of temporary solutions. Thus the losses multiply themselves. (For example, in coal mining and metallurgy.)

The basic principle for settling the financial deficits is that the losses must be made up for from internal enterprise sources. However, last year's experiences show that for a significant share of the economic units this is a course that can be only partially followed. The final settlement of the financial losses will continue to require the use of central sources.

Lack of Sources

The 1984 economic plan, or the budget, includes a reserve of several billion forints. Moreover, the financing banks in putting together the credit plans have counted on nonpayment by the enterprises of several billion forints of their debts.

Despite this, it is to be feared that the necessary central sums will not be available in the future for settling the 1984 financial losses either in volume or in appropriate composition. This statement is true in particular if we consider that the reserves may have to cover some unexpected, unplannable occurrences. (For example, the extremely severe weather in early 1985 caused surplus expenditures of several billion forints after the first 10 days.) In any event it would be advisable to use the reserves for the rapid and efficient attainment of economic goals and for the acceleration of development by well-managed enterprises.

It would be advisable, therefore, to prepare ourselves for rapid settlement of the 1984 financial losses according to unified principles. The settlement points

of view should be decided a priori in order successfully to solve the financial tensions at as many enterprises as possible.

One of the key questions for the development of the economy is whether we should make the deficit enterprises profitable and financially stable. To this end, the enterprises also should do more to avoid such a situation. But justifiable central help, too, should be given more quickly. On the other hand, if it is clear that there is no way to make an enterprise profitable, a decision should be made without delay to release the obligated resources and use them more effectively.

New statutory provisions now being drafted will presumably make it possible by 1986 to solve this problem more successfully than at present.

What Enterprise Can Do

Until then several steps must be taken without delay to deal with the 1984 financial losses.

The enterprises must put an end to the deficits. Therefore, the causes for the financial losses must be found without delay on the basis of expected data. With this information a program for extricating the enterprise must be worked out. This program must extend primarily to the following subject areas: evaluation of the production structure; examination of development goals; mobilization of superfluous means; improvement of manpower management; cost development and modernization of the organization and internal management.

With the improved management and mobilization of their reserves, the enterprise therefore—over the foreseeable future—should conduct activity and business in such a way that their profitability will permanently result in financial balance and liquidity.

This analysis can be carried out by the enterprises themselves, but may also be done by outside experts and organizational enterprises established for this purpose.

Of course, until their financial losses are settled, the enterprises concerned cannot undertake new incentive fund obligations, nor can they initiate new investments in the enterprise sphere of authority. This is necessary in order to keep the existing tensions from increasing.

The enterprises must settle their financial losses from their own resources and by the use of their existing reserves. For example, these include the free funds, the sale of superfluous means, and the rescheduling of investments underway. Thus the demand for central sources can arise only if the enterprise means are not sufficient for a settlement.

As for an attitude suitable to the guiding organs, attention should be drawn to the following:

--The financial loss must be established on the basis of balances and in a manner set forth in the decrees.

--Where the expected financial loss is of significant magnitude, or a problem that will prolong itself over a number of years, it is imperative for the founding organ to start a rehabilitation process as soon as possible.

In settling financial losses exceeding the resources of the enterprise, only the central fund which is designated for this purpose can be taken as the base. As we saw in the foregoing, the extent of the resources will presumably not cover the demands, and therefore in settling the losses we must try to use solutions that can serve central sources. Considering the real business risks, the debtor enterprises and the financing banks should agree in this framework on the handling of the obligations that are due and on a possible rescheduling of terms. Furthermore, where possible, it is necessary to examine how the existing losses are to be solved or moderated if one-time release is granted from the obligation of repayment to the reserve fund.

In determining the mode of settling the financial losses, the causes that evoked the losses must be considered, their temporary or permanent nature, as well as what kinds of export tasks are fulfilled by the enterprise, to what extent it contributes to the foreign trade balance of the economy, and so forth. Also the extrication program of the enterprise must be realistically and vigorously evaluated. To achieve a unified procedure the settlement of the 1984 financial losses will be brought together by the Ministry of Finance.

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HUNGARY

INSTITUTE DIRECTOR FINDS AGRICULTURAL POLICY FLAWED

Budapest FIGYELO in Hungarian 28 Mar 85 p 21

[Interview with Academician Aladar Sipos, Director of the Economic Research Institute by Peter Bonyhadi: "In the Footsteps of Our Economic Policy"]

[Text] One billion dollar foreign trade income per year, European primacy in the per capita grain, pork, poultry and egg production. The starting point of these achievements was the agricultural policy of the MSZMP [Hungarian Socialist Workers Party], which was set forth in June 1957. But insofar as the essence of this agricultural policy is concerned, little has been said aside from about its results. Our colleague, Peter Bonyhadi, has interviewed Aladar Sipos, director of the Economic Research Institute of the MTA [Hungarian Academy of Sciences] on this subject.

[Sipos] The solid and continuously effective basis of the MSZMP's agricultural policy is (as a result of the lessons learned in the early 1950s) the need to strengthen the worker-peasant alliance. The agricultural policy of our party organized food production into the category of complex tasks and established the financial resources for independent farming. A result of historic importance of this policy was the suppression in 1957 of compulsory surrender of the produce by the farmers and the completion of collectivization. In the framework of this agricultural policy parity has been established between the income of farmers and industrial workers. The development toward integration of household and large farming has been promoted in the long run. The ancillary activities of the agricultural enterprises have been made possible. Insofar as the latter is concerned, it would be a timely task to review the relations between basic and ancillary activities, since food processing in the agricultural enterprises is a basic activity, just as grain production is.

[Bonyhadi] This seems to be merely a statistical problem.

[Sipos] Yet it is not. For example the categorization of food processing by the collective farms as a "basic activity" would introduce significant changes in the food industry sector. The developments in our food industry so far have created new capacities and have neglected the reconstruction of the old ones. As a result of this, the more flexible small and medium enterprises have practically disappeared.

This could be changed if the agricultural enterprises would be more interested in food processing and in the creation of small and medium size enterprises. Another solution could be that the existing small food processors would join the agricultural enterprises (would be owned or rented by them), for the development of agricultural production should move toward vertical, rather than horizontal integration.

[Bonyhadi] Many people think that vertical integration is not the right trend in agriculture and they try to support this view by the case of the agrarian-industrial associations.

[Sipos] Vertical integration may be realized in various ways. The agrarian-industrial associations represent only one variety of them. I, for example, think that the agricultural combines belong to the vertical integration forms. True, the classification of a unit as a combine falls within the province of the MEM [Ministry of Agriculture and Food Industry], but in my view there are many more enterprises which are combines by function rather than by name.

I think that the production systems, aside from those of national prestige which are more advanced in the development of their vertical structure, should also follow this path. Under the conditions of our macroeconomic mechanism--and in view of its upcoming development--the shaping of a system of contractual links and the growth of vertical integration in the produce-marketing system, on the basis of independent contracts between enterprises working together for their own interest, might acquire great importance. It seems that this possibility is sometimes forgotten. What is important in any case is that pluralism should be observed also in the development of vertical integration.

[Bonyhadi] Integration, however, is only a tool. In your view which are the most important tasks facing the food production sector?

[Sipos] After the socialist reorganization of agriculture in the 1960s, the ensuing 20 years were characterized by a development of quick pace. We have managed to fully solve the problem of our country's food supply and to export one-third of the produce. The latter was very important for our foreign trade balance, since without the 1 billion dollar asset in this sector our solvency would have been jeopardized in the early 1980s.

In order to correctly assess the situation, we must keep in mind that before the two explosions of the energy carrier prices our prospects of agricultural development had been entirely different. We had access to cheap energy and therefore development in this area shifted toward energy-consuming methods.

True, this was caused also by the fact that Hungarian industry did not manufacture the kind of agricultural machinery which, in addition to the quantitative requirements, would have also met the qualitative progress of our agriculture and the growth of our productivity. For example, we needed more and more heating to dry our growing corn production. This in those

"good old days" would not have mattered too much, but a lot of corn was literally burned during the drying process, since we had no automatic switches which could have controlled the humidity contents of the produce to be dried. And here is another example of our imperfect internal interest system...

[Bonyhadi] Imperfect? Why? Because the agricultural enterprises can choose the best from three forms of income regulation...?

[Sipos] In the first place I have in mind the interest in the economic exploitation of the resources, that I consider the most important condition of efficient production. When this is missing, the good steward's care does not get across either in the collective or in the state farms. And since we speak about business interest, if this definition can anyway be more emphasized, we should say that interest in exports is vital. Despite all kinds of enlightening advises about the healthiness of a lot of vegetables, fruits and protein in our diet, the current stagnation of the standards of living does not stimulate the consumers to buy more foodstuffs of better quality which are more expensive.

This is one of the reasons why we have to sell our accumulated, precious and expensive foodstuffs abroad, while the traditional Western markets are becoming less and less accessible to Hungary.

For example, in the early 1960s we still believed that the upper limits of Hungarian beef exports are sky-high. Yet 10 years later the European Common Market pulled its customs barriers down; the area became self-supporting in meat and protectionism took over. Mass products are practically impossible to sell there.

When analyzing the foreign markets, we should keep in mind that it is no longer the case of enterprises competing with each other there, but governments which try to outbid their partners in subsidies to their own agriculture. And in the market competition the size of state subsidies emerges as an important factor. For example, the agricultural export prices of the EEC are running deep below their domestic consumer prices. Our economic diplomacy has a great role to play in the marketing of domestic agricultural products.

But before trying to make comparisons between our situation and that of the EEC, we should be aware of the fact that those countries can afford state subsidies more easily than our government for example. Moreover, on that market countries with much better conditions of production are dictating the prices in a monopolistic situation, and in their case the quantity of products rather than the quality is what really counts.

[Bonyhadi] U.S. Congress is unable to make the American administration accept the 3 billion dollars subsidy for the farmers, and within the EEC the state purchase prices have been frozen or decreased. In view of this all financial demands of our domestic agriculture may perhaps be brushed aside.

[Sipos] We should not question the rationale of development in Hungarian agriculture simply by referring to these examples. For one thing, 70 percent of the foodstuffs produced here are being consumed domestically, and the

smooth supply of food is an important factor in domestic policies. On the other hand I would not hesitate to emphasize the importance of export.

[Bonyhadi] And the conditions of development?

[Sipos] These have become quite uncertain. The basic activities have been underrated in the agricultural enterprises. I do not want to contest that, when our country is at odds with amortization problems, all sectors of our economy should make a contribution to alleviating the debts, just as it is self-explanatory that we can draw away only when there is something. Yet I disagree with the size of the withdrawal.

Under the pretext of the financial situation of our national economy so much has been withdrawn from agriculture that one-third of the Hungarian farms even lack the conditions for reproducing. Accumulation capacity has declined so much that, for example, nearly half of the machines have already been amortized. It often occurs that the farms make two usable machines from three broken ones, since they do not have enough money to buy new machinery. And if we add to this that tens of thousands of spaces for animal accommodation are bound for renewal, the present shape of the technological conditions of production is really alarming. By the way, more flexible conditions for purchasing machines and spare-parts could make a more adequate combination of energy-carriers possible, promote the long awaited entrepreneurial accommodation and decrease the demand for specific resources, in one word, it would be financially profitable.

And if we want to preserve the results that have been achieved thus far, it is no longer enough to simply maintain the current level of technological development.

[Bonyhadi] This is however not only a financial matter. A highly developed agriculture requires modern industrial background.

[Sipos] It would be important that our machine industry pay more attention to the real needs of agriculture, including its quality. Although during the last couple of years we have changed the way we are looking at things, this is still a far cry from a radical change. In the late 1970s our domestic industry had met 40 percent of the demand for agricultural machinery. By now this has increased to 45 percent, and thus the agricultural machine industry still has a large need to fill.

[Bonyhadi] The size of the Hungarian agricultural market makes it impossible to develop economical serial sizes in machinery, and an excessive import subsidy policy does not seem to be justified either.

[Sipos] I agree with this. Therefore, we should more intensely participate in the international division of labor, because in some CEMA countries the per hectare yield of grain is less than half of the Hungarian yield. For such countries machines of smaller capacity are required. Hungary's agricultural machinery needs are more or less similar to those of the GDR and Czechoslovakia. When planning the forms of cooperation, these views, among others, should also be considered.

[Bonyhadi] Certainly so, but there was the infamous case of the Hungarian sugar-beet combine, that the farms were reluctant to buy, even with a government subsidy of 40 percent. They would rather give up sugar-beet production.

[Sipos] The agricultural machine industry cannot be taken out of its general industrial and specifically machine manufacturing context. Unfortunately the use of low quality steel and the factor intensity in the use of materials by the machines are general phenomena. For example, in order to enable us to manufacture competitive sugar-beet combines, our entire industry should be changed, for the agricultural machine industry is ultimately an assembling industrial sector. And it would be high time to abandon the fiction that the manufacturing of agricultural machinery is not a real machine industry. After all the driving cabin of a modern tractor or automatic harvesting machine is closer to the cockpit of an airplane than to the driving seat of a truck.

I do not want to depict agriculture as a sacrificial lamb, but since we talk about industry, let me mention also such trivia that because of the uneven thickness of the folia 9 million liters of milk is wasted yearly, and that our 30 million dollars worth of cheese export would be inconceivable without the use of foreign wrapping materials. Our cold-storage industry can only export if it first imports wrapping materials for dollars.

[Bonyhadi] No matter how commonplace it sounds, I should say: our agriculture has probably still not reached the limits of its internal capacity.

[Sipos] This is true. Let me only mention that our agriculture is "capable" of producing meat that is much more expensive than its world market price by using grain which is much cheaper than on the world market.

In order to exploit the reserves of agricultural production, we would require a series of conditions, among them the proper combination of production in large scale and on small farms. The truth is that we often think in extremes and practice follows this way of thinking. A good example for this is the size of the farm units. In this respect we have either a too large or a too small category in mind.

[Bonyhadi] Since the announcement of the MSZMP's agricultural policy in 1957, and particularly over the recent years, the economic situation and the foreign markets have changed significantly to our disadvantage. The forthcoming trends of a possible solution are not yet clear either. In view of all this, what are the prospects of development of Hungarian food production, taking into account the current standards and the structure of the probable solvent demand?

[Sipos] When planning the strategy of food production, it is advisable to take it as a point of reference that our production should at all times meet the domestic demand in quantity, quality and diversity by using homegrown products. In addition it is also imperative that our agricultural and food exports contribute to the external financial balance of our country.

Insofar as exports are concerned, we can count on having the CEMA countries, particularly the Soviet Union, as long-term markets for Hungarian food industry products. With respect to our export to the West, we should try to exploit the available marketing possibilities and the market gaps that may emerge time and again.

For all this we have to maintain variety in our food production. In the future we will have to place more emphasis on improvements in quality and productivity, rather than trying to increase quantity, since even with the current investments we could produce more and of better quality. Only in this way can we preserve and expand our foreign markets.

Quality and productivity require the many sided and coordinated development of vertical structure, improvements in our foreign trade strategy and progress in shaping our organizational and interest systems.

We will have to design the future structure of our agricultural production in such a way that the increasing output of those sectors which can be efficiently enlarged should be the main criterion for its development. We have to improve work productivity also in farming. A condition for this would be the development of an interest system that would boost the effective use of the resources. We will have to improve the division of labor between large and small farming units and to strengthen the labor organizations in agriculture.

It is well known that Hungarian agriculture has accumulated a significant capacity for innovations during the last couple of years. Green light should be granted to the release of these capacities in the economic environment. We nurture great hopes that the development of the organizational system of our food economy will provide further impulses for a system of production which continuously and flexibly reacts to the market demands and is strongly efficiency oriented.

12312

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HUNGARY

NEW MEMBERS OF PRICE CLUB LISTED

Budapest FIGYELO in Hungarian No 7, 14 Feb 85 p 3

[Article by Dr Laszlo Racz: "The Price Club Keeps Growing"]

[Text] Again the Office of Price Fixing has published its competitive appeal in the December 1984 issue of the paper ARSZABALYOZAS ES TERMEKFORGALMAZAS [Price Regulation and Product Marketing] on conditions for an exemption from the restrictions on processing industry price formation regulating foreign trade prices (the so-called price club membership). This repetition was necessary because about 85 percent of the domestic processing industry sales are still represented by economic organizations outside of the club, which have not initiated their exemption from the regulations.

From consultations conducted with them it became clear that without more detailed information concerning the changes--occurring in the regulation system by the end of the year--or the market items, they could not judge what respective advantages the club membership offered them under the new conditions. Therefore they were uncertain whether the club membership rulings might also change along with the legal provisions. There was an enterprise which made its application dependent on the cancellation of the condition according to which the club members could use only the potential import price, not the transitional price, for their products. Others considered it necessary to explain how the various financial advantages of the legal provisions refer to the club members. Others again simply inspected the setting of export prices on the capitalist market, since favorable foreign market price setting without club membership also makes the corresponding domestic business policy possible for them.

Some confusion was caused among the competitive bidders by the Office of Price Fixing decree on the transitional expansion of the preliminary reporting obligation for price increases (see FIGYELO, 1985, No 2). This also refers to the products of the processing industry enterprises regulating foreign trade prices.

On the basis of the competitive appeal and the legal provisions in force, the OAH [National Material and Price Office] and the Industrial Ministry inquired about the problems of the most concerned enterprises and about the concepts of price policy, and double checked the price prognoses of materials and

finished products coming into use. It was explained that an enterprise exceeding the potential import price could no longer be a member of the club. On the basis of an MT [Council of Ministers] decree, the pricing authority will consider prices that are higher than the domestic price of imported goods as dishonest prices. It also became clear that club membership will not affect the financial advantages made possible by the legal provisions. However, with respect to the provisional (until 30 September) reporting obligation of price increases, only those enterprises will be taken into the club whose price policies, exposed in competition, are considered adequate by the pricing authority. Thus according to the agreement the club member can continue his secure price policy.

Consequently, several economic organizations had already in January applied for club membership. Earlier the agencies participating in the committee did not examine whether the scope defined by the economic organizations should be accepted "ex officio" among the club members or whether--because of their domestic and foreign positions--this would stimulate them to more effective productive work and foreign market activity. Although such measures have not been taken, the committee will use these solutions in the future. Temporarily only an overall attitude of principle is found in it--not developing in the judgment of enterprise competition--that according to the new regulation it has become possible for small cooperatives and specialized cooperative groups, qualifying as "leaders" continuing competitive price setting, to become members of the club without special competition--by simple application--if they want to select this solution in their price setting.

During 10 February more economic organizations will get information on the conditions for becoming club members:

--Medicor Muvek [Medicor Plants]

--Telefongyar [Telephone Factory]

--Budapesti Radiotechnikai Gyar [Budapest Radio Technology Factory]

--Magyar Optikai Muvek [Hungarian Optical Plants]

--Hajdusagi Iparmuek [Hajdusag Industrial Plants]

--Kispesti Textilgyar [Kispest Textile Factory]

--Hunor-Pecsi Kesztyu- es Borruhazati Vallalat [Hunor-Pest Glove and Leather Clothing Enterprise]

--Debreceni Kotottarugyar [Debrecen Knitting Factory]

--Sabaria Cipogyar [Sabaria Shoe Factory]

--Voros Csillag Ruhaipari Szovetkezet [Red Star Clothing Industry Cooperative] Szolnok.

6806

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HUNGARY

ENTERPRISE COUNCILS TO MANAGE STATE FARMS

Budapest NEPSZABADSAG in Hungarian 13 Mar 85 p 5

[Article: "Autonomous Councils Are Being Established in the State Farms--
So Far 17 Directors Have Been Selected"]

[Text] As a result of last year's decisions concerning the further development of our economic management system, state farms are also introducing new forms and methods of enterprise management. According to the view of the Ministry of Agriculture and Food Industry, all of its state farms will be managed by councils, i.e., 96 of the 120 state farms will have an enterprise council and 24 will operate through a council of representatives.

The present system of appointing directors of state farms will be ended and directors will be elected on a competitive basis by the enterprise councils or councils of representatives.

Enterprise councils will generally have 25 to 40 members. At least half of them will be elected by the workers of the state farms. The other half will be selected from the managers of the autonomous units, i.e., one-third will be appointed by the director. The number of members of the councils of representatives will generally be 10 percent of the number of workers. All members will be elected by the workers in each autonomous unit.

The preliminary work is going well and by the end of March autonomous management councils will be set up in 60 state farms. By the end of May all farms will be operated by the councils mentioned above.

These councils are already being set up and the directors are being selected. In order to maintain continuity, the present change does not involve competitive selection; the councils only decide whether the present directors should be appointed for the next 5 years or not.

By last night 17 farms had already set up the autonomous council, 15 of them in the form of enterprise council and 2 in that of a council of representatives. On 14 farms, the councils reappointed the old director through a secret ballot and a 2/3 majority vote. On 3 farms, on the other hand, the director failed to receive the necessary number of votes.

The new autonomous management of the state farms is expected to increase and develop enterprise democracy as well as further increase production.

9414

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HUNGARY

PROGRESS NOTED IN TSZ SOCIAL SECURITY

Budapest SZABAD FOLD in Hungarian 9 Mar 85 p 5

[Report by Bela Foldeaki, "The Views of the National Council of Producer Cooperatives on Social Security of TSZ Members"]

[Text] It has been often said that our success in eliminating the gravest disadvantages for TSZ members with regard to their social security is a historical accomplishment. The greatest accomplishment was the elimination of the differences between retirement ages but it is also very significant that pregnant TSZ women also receive childcare benefits. We were no doubt one of the first socialist countries to take these steps. But attention is still focused on differences that continue to exist. They are actually no great differences but they do affect those concerned.

Our present statutes of social security still reveal 11 such disadvantageous differences. These were discussed at the last meeting of the National Council of Producer Cooperatives.

First and foremost is the issue of the so-called divisor. It is somewhat complicated. In determining social security benefits the average income must be calculated. In the case of a worker or an employee this is done by dividing the monthly income by the number of work days, i.e., with the actual number of days worked. However, the procedure is different in the case of TSZ members. Here the monthly income is divided by the number of work days in the given month. There are many TSZ members, however, who do not work on every work day simply because there is nothing for them to do on that day. These are mainly women working in the fields, vegetable gardens, orchards or vineyards. This application of the divisor puts them at a disadvantage, severely decreasing their pension fund. This procedure is used only for TSZ members.

To correct this, the so-called minimum monthly average income was introduced. In calculating the amount of pension, 900 forints per month were allowed even if the divisors yielded a smaller figure. This figure was later increased to 1,800 forints in calculating disability pensions. The idea was to use this minimal figure as a standard but the newest statutes discarded the concept of the minimum monthly average income despite the great need for it. (The divisor complicates the calculation of disability allowances as well.)

These related examples clearly show the extent of disadvantage for some TSZ members. We are happy to have pensioned peasants but the fact that almost one-third of these TSZ members who worked hard and produced much draw monthly pensions amounting to less than 2,000 forints is nothing to be proud of. The fact that the pensions of TSZ members are lower than those of workers is easily explained by the smaller number of their accrued years of service since it was only around 1960 when they began contributing for social security. It is noteworthy, however, that 3 years ago the monthly difference was 875 forints and now it is 1,020 forints, thus it is increasing.

The other big difference is the inclusion of the years of service of helping family members. Many women regularly helped their husbands in their work, or worked themselves independently but under their husbands' names. Allowance would be now given for this in determining the wife's benefits if she could document it. But how? Authorities accept only "documentary proof dated at the time." Work done 15, 20 or 25 years ago should be documented. Such documents generally did not exist and even if they did, the given cooperative has merged or moved 2 or 3 times since then and the files have been hopelessly mixed or destroyed. Witness testimonies should be allowed to document these years, for most colleagues and superiors are still alive and have a good memory.

The issue of the 100 forints is often mentioned again. The minimum pension and disability allowance as well as the childcare benefits of TSZ members are 100 forints below those of workers and employees. The reason for this is well known: the TSZ member, unlike the worker, draws additional profit from the household plot. Trouble is, this reason has been obsolete and outdated for a long time now.

Two examples will show this. The wine-producing section of the TSZ in Nagyredé has 450 members, none of whom are TSZ members. And it is also a fact that small farms play an important role in our country's hog-farming but 75 percent of hogs are fattened by workers and employees. And if it is true--as it is--that more workers and peasants than TSZ members have household plots nowadays then the 100-forint difference is untenable.

The existence of so-called early retirement jobs is one of the social achievements in Hungary. For example, miners, bus drivers, metalworkers or professional soliders may retire 5 years earlier. However, the statutes categorically exclude TSZ members from this although their ranks also include tractor drivers, motor saw operators or fishermen working manually who would deserve early retirement and who, in fact, often become disabled--and thus qualified for early retirement--around the age of 55 because of their unhealthy occupation.

It would take too long to list all of the 11 points but one more thing must be mentioned, namely, that from the aspect of social security benefits members of special TSZ's are sometimes in a worse situation than individual small-holders.

A representative from the National Social Security Directorate also took part in the meeting of the presidential board. He said that the workers' contributions to social security do not cover expenses and thus state subsidy is needed. This is why it is so important to make sure that benefits are

indeed commensurate with the actual time of service or contributions. Altering the divisors may result in pensions that are higher than the earnings. Anyway, our state guarantees minimum pensions, and verbal testimonies are sometimes unreliable.

It was said during the following debate that although the minimum pension for TSZ members is 2,150 forints per month, it is paid only to those whose income exceeded this figure. Otherwise the pension cannot exceed the amount of income. This is why so many people receive less than 2,000 forints, i.e., an amount that is clearly inadequate for sustenance. The TSZ's offer some additional benefits but not all of them have the resources. The TSZ member in Hungary pays the same amount of social security contribution as anyone else. In addition, he also pays a significant amount of collective taxes.

Thus the presidential board of the National Council of Producer Cooperatives maintains its view in all of the 11 points that this issue will receive appropriate attention at next year's TSZ congress.

9414
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HUNGARY

MEASURES TO ALLEVIATE FINANCIAL TENSIONS IN AGRICULTURE

Budapest FIGYELO in Hungarian 21 March 1985 p 17

[Article by Dr R. Kostyal, Director of Main Department of Agriculture and Food: "Greater Profit, Smaller Loss"]

[Text] Large farms earned a profit of 24.3 billion forints in 1984, or 6 percent more than in 1983. As compared to 1983, more of this profit remained in the incentive funds since the income tax payable on profits was reduced by about 0.7 billion forints. Compulsory reserve fund formation was eliminated. Financial losses were reduced. The loss in the 1984 balance statement was 1.3 billion forints--and the development fund loss was 267 million forints. The total financial loss last year was 31 percent below 1983.

The 1984 drought afflicted by and large an area corresponding to that of last year, and two thirds of the financial losses were concentrated on the large farms of the dry Alföld counties--primarily Bekes, Csongrad, Szolnok, and to a lesser extent Bacs-Kiskun County.

Three Hundred Million Forints in Assistance

Another part of the farms showing a financial loss were in the unfavorably endowed production areas (for example, Szabolcs-Szatmar County) where the unusually low precipitation aggravated the usual production and financial problems.

A third group of farms showing a financial loss are those which have become unprofitable because they are, ingeneral, located on sites outside the richly endowed areas and conduct unprofitable industrial-service activity. This is especially characteristic of certain cooperatives in Borsod-Abauj-Zemplen County. These combined losses deriving from uncollected charges made in previous years exceed 500 million forints. Several cooperatives suffered very serious losses of 30 to 50 million forints each. In one producer cooperative the deficit was 110 million forints.

Table. Main Data on Large Farms, at current prices
(in million forints)

	1983	1984	Index
Farm production value	296 852	315 607	106.3
Of this: basic activity	191 664	205 859	107.4
Profit	22 917	24 270	105.9
Financial losses			
Of this: losses	1 308	1 313	100.4
Development fund loss	936	267	28.5
Enterprise investment in the given year	28 327	26 312	92.9
Manpower average (in persons)	835 666	806 857	96.9
Per capita calendar year earnings (in forints)			
On state farms	60 144	64 116	106.6
On producer cooperatives	55 932	58 320	104.3

Settlement of the 1984 financial losses requires differentiated solutions after considering the causes. Coordinated local and central measures have been taken to moderate drought damage and to create the economic and financial conditions for continuous production. For example, farms which suffered from the drought have been granted land tax rebates, they were not required to pay the third quarter income tax, and they were allowed to make use of their blocked development reserve funds from an earlier period. These farms received in time the budgetary guarantees, which even in the case of credit insolvency extended a financial cover for the expenditures and works that were to be the basis of the next year's production.

On large farms that closed with a financial loss because of drought damages--and where they did not have internal money resources to make up for the loss--the PM [Ministry of Finance] and MEM [Ministry of Agriculture and Food Industry] settled the losses or fund deficits of 21 farms with in the framework of an accelerated procedure. Three hundred million forints were devoted from the central budget to farms suffering losses because of the drought. More than one-half of this sum was in the form of state subsidies.

Institutionalized Subsidies

With the cooperation of the councils the Ministry of Finance surveyed the farms that suffered large drought damage but were able to make up for their financial losses by using their former reserves. Comprehensive measures were also passed to help these approximately 80 farms to overcome as soon as possible the consequences of the drought damage and to stabilize their management. This

included those large farms where the value of the crop production dropped by more than 30 percent in 1983-1984 as compared to 1981-1982. This group of farms--which was exempt from the 1984 replenishment obligation--placed their remaining blocked money, after the settlement of the deficit, into the 1984 profit reserve, and from this they were able to finance continued production.

The farms which suffered drought damage were granted wage-tax rebates institutionally if the volume of irrigation water they used or the size of the irrigated areas increased over that of the preceding year. For investments underway they received--to make up for their own lack of resources--a greater share of central support from the financial budgets of the county councils than what statutory provision authorized. County councils were also granted permission to give further financial help from the support budgets for unfavorably endowed farms.

Important Material Cost

Despite the unfavorable weather, the measures taken to reduce drought damage contributed to allowing agriculture as a whole successfully to close out the year 1984. The value of total agricultural production as compared to 1983 increased by 6.3 percent and exceeded 315 billion forints. Within total gross production the rate of increase in basic activity was greater than that of the industrial-service activity and exceeded last year's by 7 percent.

Calculated at unchanged prices, the growth rate for the gross production value of agricultural products was 2.6 percent, and within this the state sector was the same as the average while the producer cooperative sector increased production by 3.9 percent. On the other hand, production declined 2.8 percent at unchanged prices on household and auxiliary farms.

The 1984 market price index for agricultural products was 106.4 percent, within this it was 104.7 percent for live animals and animal products and 109.5 percent for crop production and garden products. The modification of income-tax progression significantly affected income development, and as a result the total income tax declined by 10 percent in 1984 as compared to the previous year.

In 1984 the total cost of large farms increased by 7 percent and reached 275 billion forints. Included in the costs was a large-scale rise--due to central decision--in social insurance contributions. Within the cost structure, the ratio of material costs continues to be important but because of the increase in the wage burden wages and contributions have also risen and now amount to 25 percent of total costs.

Average agricultural manpower in the past year was 807,000 workers, 3.4 percent fewer than in 1983 (or a decrease of 30,000). The increase in state farm average wages exceeded that of the previous year by 6.3 percent, and in that of the cooperatives by 4.5 percent.

The 1984 investments by large farms lagged about 1 billion forints behind the plan and 0.7 billion forints behind the previous year's. The material and technical composition of enterprise investments changed as expected, and the ratio of machine purchases increased.

Differentiated Profit

The budget payment of the large farms significantly exceeded that of the previous year's level because of the 5.2 billion forint increase in social insurance contributions.

Total agricultural supports in 1984 were 27.7 billion forints below the previous year's. Two-thirds of the supports were of an operational nature in which the beef cattle branch, the unfavorably endowed large farms and fertilizer acquisition support shared in almost like amounts. The balance of agriculture's budget was positive in 1984 because of the combined effect of payments and supports. The incentive funds based on large farm profits increased by 8.4 percent as compared to 1983. Counting in the 1984 voluntary reserve formation of 3.5 billion forints, the incentive fund formed from the 1984 results was 1.1 billion forints greater.

As a result of the past farming year and on basis of the incentive fund volume available to and remaining with the farms, the money resources exist in the subbranch that will make it possible to fulfill the 1985 tasks.

It must be taken into account, however, that the 1984 results and the money available from these results for this year's use vary greatly from farm to farm. Therefore we must do all we can to see to it that the operations which have suffered from the drought in the past 2 years and the farms which have suffered damages because of losses to the industrial-service activities outside the sites can continue to enjoy the conditions of continuous production.

6691
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POLAND

COAL EXPORT PROSPECTS, COMPETITION FROM OTHER COUNTRIES

Warsaw RYNKI ZAGRANICZNE in Polish No 28, 5 Mar 85 p 8

/Article by Henryk Siaszkiewicz: "Problems of Our Coal Export"/

/Text/ Last year brought two real achievements in the Polish coal export. One was to exceed 43 million tons of annual export and the other one was to reach the billionth ton of export of this fuel to our foreign customers in the post-war period. Export of one billion tons in less than 40 years shows the important role of Polish coal and its significance in satisfying energy needs of many countries, primarily the European ones.

Out of the total of 60 countries who were the customers for our coal and coke in the years 1945-1984, about 84 percent was shipped to 10 countries, namely: the Soviet Union, Czechoslovakia, GDR, Finland, Denmark, France, Italy, Austria, FRG and Sweden. It should be remembered that since 1945, deliveries of coal continue to countries such as USSR, Czechoslovak Socialist Republic, GDR, Hungary, Denmark, Sweden and Norway. In 1946, the following countries were added to the list of customers: Finland, France, Italy and Austria, and they still are on the list. At the end of the 1940's, FRG was added and became a significant importer of our coal.

The first 500 million tons of coal were exported in the years 1945-1969, i.e., during a period of 25 years. But shipping to the world of the next half billion tons took only 15 years. This indicates an accelerated rate of coal exporting during that period.

Last year's record level of export exceeded 43 million tons which, in comparison with 1983, means an increase of almost 8 million tons and, in a way, crowns the recent export expansion started in 1982. This was possible thanks to the stabilization of our coal industry and having some reserves. Despite an unfavorable economic situation and growing international competition, in 1982 28.5 million tons of coal were sold abroad (almost twice as much as in 1981) and in 1983 35 million tons were sold.

In the last 3 years, Polish fuel returned to its traditional markets and gained new markets too. In many markets the old levels of deliveries were almost reached, in a few they were exceeded and in some the range of customers was enlarged, e.g., coking plants in FRG, cement plants in Spain and power plants in Sweden.

These facts assure a favorable situation that will lead to the continuation of export at a steady rate. In March of 1984 the Ministry of Foreign Trade prepared a report titled "Demand for Polish Coal and Prospects For Its Export Up to the Year 2000" which fully documents the necessity to stabilize coal exports at the rate of at least 40 million tons annually.

It can be stated that the highest state authorities now support the requirements to stabilize coal exports and to keep the export markets which were so difficult to regain. It is true that it is also considered necessary to introduce structural changes in Polish exporting by increasing the proportion of highly processed goods, especially electrical machines, but the expectation of rapid growth of export in the last group seems unrealistic, especially in view of the recent drop in export rate of such products to the so-called second Payment Payments Area. Also, we must be prepared for increased competition of other producers offering higher quality product.

For these reasons, it will be necessary to maintain the export of products of the extracting industries at optimum level through the current decade and the nineties. In this category, coal is the most important item. It is not called the King of Polish Exports for nothing; in fact, it brings in 20 percent of the hard currency that Poland earns. It is obvious that it would be difficult to find a product which could replace coal in this role.

The continuing economic boom in industrial countries, which began in 1983, caused an increase in energy demand in 1984, and so for coal. Although complete statistical data for the last year are not in yet, it can be assumed that the situation in the world coal trade (especially coal used for power) has improved during that period of time, and next year's prospects look favorable.

According to American energy market analysts, there will be this year an increased demand for electric power and an even more substantial increase in steel and cement production. Also, in that area, individual industries will complete their process of adaptation to the higher energy costs. According to the same opinions, it can be anticipated that demand for coal will continue to grow. On the other hand, it must not be forgotten that there is a glut on the world energy market, including coal, which probably will last for a few more years.

The main problem in the long-range projection of world trade is not the supply of coal but the size and profile of the demand for this resource. At this time, the demand is lower than has been estimated and lower than the quantities potentially needed by the users. The estimates of demand had to undergo systematic downward corrections in the last few years. For instance, this happened to the estimates of the International Energy Agency, which in addition to France, Finland and Iceland includes all OECD countries. In 1980, the International Energy Agency estimated that the demand of those countries will double by the year 2000. After 2 years, i.e., in 1982, the estimate was changed and it was decided that the demand will increase by 85 percent. Last year, it was estimated that the demand for coal in those countries will grow during the years 1980-2000 only by 65 percent.

Under these circumstances, we must expect stiff competition from other world coal exporters, primarily from the Republic of South Africa and Australia. Regarding the United States, after transshipment facilities at its ports were enlarged, there are no physical barriers impeding coal deliveries. The economic barriers remain--namely, the high cost of production and rail transportation. The diminished competitiveness of American coal was also influenced by the higher exchange rate of the dollar. For these reasons, the United States was most affected by the lower prices in the world markets during the years 1982-83. Thus, American coal exports decreased sharply in 1982 and then stagnated at the level of about 70 million tons annually in the years 1983-84.

On the other hand, Australian exports in the last 2 years have been growing dynamically. In 1983, coal exports from that country exceeded 60 million tons for the first time, and deliveries of coking coal exceeded all the records and reached 42 million tons. Thus, the Australian exporters of this type of coal beat the Americans. Last year, Australian hard coal exports increased again reaching the level of 65 million tons.

Australia is clearly a country with a pro-export attitude; it exports about one-half of its coal production. In the 1990's Australia will probably become the leading coal exporter, leaving behind the United States, the current leader. It should be emphasized that the recently enlarged export potential of Australia permits a rapid increase of coal deliveries to foreign customers in case of a sudden increase in demand.

The Republic of South Africa also exports a sizeable portion of its coal production--over 25 percent. Mining costs in South Africa are low, and this permits the Republic of South Africa to offer its coal at lower prices than do other western exporters.

This country consistently developed its export infrastructure which permitted it during the period 1975-1980 to increase its coal export by a factor of ten: from 2.7 to almost 29 million tons. Recently, there were no significant changes (1983--29 million tons, 1984--30 million tons) which is partly explained by the ongoing upgrading of transshipment facilities at the main coal port, Richard Bay. It is expected that its capacity will increase in 1986-87 to 44 million tons instead of the current 30 million tons. Two other ports, Durban in the Republic of South Africa and Maputo in the neighboring Mozambique, have a combined transshipment capacity of 4 million tons annually. It is expected that in the second half of this decade, the Republic of South Africa will be able to export about 48 million tons of coal annually which should permit it to move from fourth to third place among the leading exporters. Third place is now held by Poland.

There is also a possibility that Canada may become an exporter. In 1983, Canada delivered 17 million tons to other countries and for 1984, the estimate is over 21 million tons. It should be noted that the current level of export is much below the production capacity. In 1983, the production capacity of mines whose production was destined for export was about 28 million tons. Last year, when the additional mines were to become operational, the total extraction capacity for export was to reach 38 million tons. The main customers for Canadian coal are outside Europe, e.g., Japan, South Korea and Brazil.

In addition to the U.S., Australia, Poland and Canada, the first ten coal exporters include the USSR, FRG, Great Britain, PRC and Czechoslovakia. It is estimated that in the long run, the PRC has the best chance to increase its exports. In the immediate future, competition must be expected from a new exporter, namely Colombia. That country expects to start deliveries this spring from the coal basin El Cerrejon. The coal coming from those mines has a very low sulphur content, produces little ash, and can be mined and sold at competitive prices.

Colombia has already concluded long-term contracts for exporting coal, primarily for the power plants in Denmark, Ireland, Spain and the U.S. These contracts assure sales of 25 percent of planned export production, which was 1 million tons last year and is expected to reach 15 million tons in 1989. There are ongoing negotiations with other customers in France, Italy, FRG and others. It is widely believed that Colombian coal is offered at competitive prices in comparison to those requested by Poland, the Republic of South Africa and Australia.

Even under the conditions of international competition in the coal market, the position of Poland will get stronger especially in Europe, as the general economic situation improves and the demand for fuel increases. The following factors favor such outcome:

--Poland's convenient geographic location, i.e., Polish coal is near European countries which are the traditional and natural market for Polish coal;

--Flexible deliveries, especially the ability to adjust the size of ships to the needs of customers, which is essential when dealing with small and medium tonnages;

--Quality of Polish coal, especially the low sulphur content which matters greatly in a world concerned with environment protection.

8801

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ROMANIA

AGRICULTURAL FOREIGN TRADE ACTIVITIES REVIEWED

Bucharest REVISTA ECONOMICA in Romanian No 7, 15 Feb 85 pp 13-14

[Article by Dr Mircea Coras: "International Cooperation on Many Planes in the Field of Agricultural Development"]

[Text] On a world level, economic cooperation, a chief component of foreign economic relations, has followed an upward course of development and diversification, making a big contribution, along with traditional trade exchanges, to the intensification of the flows of international trade.

The objective necessity of continually developing and diversifying Romania's relations of economic cooperation with other countries was substantiated back in 1967, at the conference on activity in the field of foreign trade. The party's secretary general pointed out then: "International life shows that in world economic relations the conventional forms of foreign trade are changing more and more. Thus, new forms of economic, scientific and technical cooperation are arising. These forms have assumed greater and greater proportions both in the relations among the socialist countries and among the capitalist countries and in the relations among countries with different social orders."

Starting from the primacy of its own effort to develop the national economy and taking into account the role of foreign economic relations, Romania participates actively in the international division of labor, in the exchanges of values with all states, regardless of social order, on the basis of the principles of fully equal rights for all states, respect for national independence and sovereignty, noninterference in internal affairs, and mutual advantage. In this general framework, the agricultural and food sector, which is of particular importance to the national economy, is undergoing continual development, helping at the same time to expand international economic exchanges, to widen the international division of labor. Drawing lessons from its own experience and from the experience of other developing countries, Romania has oriented itself not toward a narrow, unilateral specialization of agriculture but toward the creation of a multilaterally developed national agricultural and food sector.

In the prewar period, agriculture experienced extensive development and unilateral exportation of agricultural products, especially raw materials, among which cereals occupied the chief place, but right from the start of the

construction of the socialist society, agriculture has been oriented toward intensive and multilateral development. Our country has conditions for producing nearly all the food products needed by the population as well as some raw materials for light industry. This orientation has allowed better utilization of the natural conditions specific to the country and better satisfaction of the requirements of the population and the processing industry, as well as the creation of reserves for exportation. Multilateral agriculture has proved less sensitive to the inherent oscillations of the natural factors and the fluctuations on foreign markets, providing a balanced supply for the population and a relatively stable contribution by agriculture to general economic development. This orientation, supported by big investment efforts and by organization on the basis of large-scale socialist production, allowed agricultural production to rise at an average annual rate of 4.3 percent in the 1950-1982 period, it being nearly 4 times higher in 1982 than in 1950. At the same time, the food industry was also developed. The diversification and higher utilization of agricultural raw materials allowed this branch's production to grow more than 9-fold from 1950 to 1982, with an average rate of over 7 percent, higher than the rate of development of agriculture.

The building of a strong national agricultural and food system of our own provides for the maximum utilization of our own resources and, on this basis, creates greater possibilities of participation in international exchanges.

A Complex Activity with Diversified Forms Suited to the Interests of the Partners

The economic, scientific and technical cooperation in the field of agriculture and the food industry embraces different forms and ways of achievement, having as a basis the agreements and understandings concluded at a high level, the protocols and other documents concluded on the occasion of the sessions of the joint commissions on economic, scientific and technical cooperation, and documents and arrangements concluded at the level of the competent ministries in the partner countries.

In order to fulfill the tasks regarding cooperation in the field of agriculture and the food industry, in proportion to the development of this activity, the corresponding organizational framework has also been created and improved. Thus, the Directorate for Foreign Trade and International Economic Cooperation operates at the level of the Ministry of Agriculture and the Food Industry, a titular body for the plan for cooperation in the respective field. In addition, in order to respond better to the requests of foreign partners, within the same ministry there was created the Romagrimex foreign trade enterprise, specializing in actions of economic cooperation in the field of agriculture, which, for attaining the objectives arranged with various foreign partners, benefits from the contribution of highly skilled personnel from the Academy of Agricultural and Silvicultural Sciences and from the specialized institutes for studies, research and designs (the Institute for Studies and Designs for Agricultural and Food-Industry Construction, the Institute for Studies and Designs for Land Improvements, the Institute of Geodesy, Photogrammetry, Cartography and Territorial Organization, the Research Institute for Chemistry and the Food Industry and so on), which have, as the case may be, roles of

subdesigner or domestic general designer. For the work of construction-assembly, Romagrimex collaborates with the specialized Romanian enterprises ARCIF [Romanian Construction Enterprise for Land Improvements Abroad] and ARCOM [Romanian Enterprise for Construction-Assembly].

The activity of international economic cooperation in the field of agriculture and the food industry has a complex character, combining elements of a technical, commercial, financial, banking and legal nature, which, like the whole activity of foreign trade, are carried out in accordance with the party's policy regarding the development of relations of cooperation with all socialist countries, with the developing countries and with the developed capitalist countries. Its beginning dates from the 1966-1967 period, when the first contracts on cooperation, having as an object the achievement of agricultural projects in the Socialist Republic of Romania, with the participation of partners in Holland, and the organization of actions of cooperation in Iran, with the Romanian party's participation, were negotiated and concluded.

In the period passing from the start of this activity to the present, actions of cooperation along the line of agriculture and the food industry have been initiated and negotiated or are under negotiation with partners in over 80 countries, located on all continents of the world. It should be noted that, thus far, the Ministry of Agriculture and the Food Industry has carried out actions of cooperation in over 25 countries in Africa, Asia and Latin America. At the same time, it has finalized a number of agricultural and food-industry projects on the territory of the Socialist Republic of Romania with the participation of foreign partners in 15 states, developed socialist and capitalist countries.

According to the place of occurrence, the activity of international economic cooperation along the line of agriculture and the food industry includes: a) actions carried out on Romania's territory with the participation of various foreign partners; b) actions carried out abroad with the Romanian party's participation.

From the viewpoint of the Romanian party's interests, through the actions of economic cooperation along the line of agriculture and the food industry, carried out on Romania's territory with the participation of foreign partners, mainly the following have been considered and are being pursued:

The obtaining of better farming technologies as well as modern manufacturing procedures and the introduction of them into production;

The training of Romanian personnel to put them into application;

The acquisition of tools, equipment and installations with a high degree of technicality;

The attraction of financial sources for building facilities of major importance to the national economy;

The creation and securing of long-term markets for selling the Romanian products obtained at the facilities built in cooperation;

The reimbursement, to a great extent, of the share of the foreign partners in achieving the facilities, in the form of products obtained mainly at the facilities built in cooperation.

Among the main projects that have constituted the object of actions of international economic cooperation carried out on Romania's territory, we mention the construction of big areas of vegetable and flower greenhouses with partners in Holland, the arrangement of big areas for irrigation with partners in England, the construction of an industrial mushroom unit with partners in Austria and the achievement of food-industry facilities with partners in France, the FRG, Sweden, Italy and other countries. In addition, a number of actions have been carried out in the field of animal production (the raising of poultry, hogs and furbearing animals) and vegetable production with partners in France, Canada, the FRG, the USSR, the Hungarian People's Republic, the Polish People's Republic and other socialist or capitalist countries.

The Construction of Complex Facilities and the Exportation of Engineering Services

The actions carried out abroad, especially in the developing countries, in the form of complex deliveries, joint production and trading companies, the transfer of technologies, and technical assistance, make up a significant percentage of the international economic cooperation in the field of agriculture and the food industry.

Within this activity, from the viewpoint of the Romanian party's interest, the securing of stable and long-term sources for supplying raw materials, the sale of tools and equipment of Romanian origin and the granting of specialized technical assistance are pursued. In their turn, the foreign partners have the possibility of benefiting from the transfer of technology and know-how, the training of local personnel and the securing, on easy terms, of agricultural tools and equipment of Romanian origin, needed for the process of intensification and modernization of agriculture and development and diversification of exportation.

It should be pointed out that, in the majority of the cases, the international economic cooperation takes complex forms, combining the activity of production with that of research and design, which creates favorable conditions for better utilization of the economic, scientific and technical potential of the partners. Thus, in the last 10-15 years, Romania has participated in carrying out important agricultural projects in the field of irrigation and water drilling in countries such as Syria, Iraq and Libya, in building agroindustrial complexes in Iran, Libya and Somalia, and in organizing agricultural enterprises and farms in Benin, Angola, Congo and Zaire, by furnishing studies, designs, tools and equipment, consulting services and technical assistance. Joint companies have been formed in the agricultural, zootechnical and ocean-fishing fields in cooperation with partners in countries such as Libya, Congo, Zaire and Mauretania. The number of Romanian specialists who work in the

developing countries has risen from year to year; at present, over 1,000 specialists work in actions of cooperation in the field of agriculture.

Romanian foreign trade firms participate in carrying out turnkey projects in the field of hydrotechnical-amelioration systems, with the Romanian party's participation consisting of the preparation of the studies and designs and the complete execution of the work. This is the case with the contract on the planning and execution of the work on hydrotechnical-amelioration and irrigation facilities on an area of 27,000 hectares in Syria (a project in the process of finalization) and the recently concluded contract on the planning and execution of the irrigation of an area of 10,000 hectares in Iraq. Other participation refers to the design, organization and development of the agroindustrial complex in Rasht, in Iran--an agricultural facility of major importance to that country's agriculture--the organization of farms for growing cotton, corn and other plants in Angola, Benin, Mozambique and so on, the organization of demonstration plots and the cultivation of areas, with a view to the introduction of new technologies for various species of agricultural plants (corn, soybeans, sunflowers) and fruit trees, on the basis of agreements with partners in Cuba, the Hungarian People's Republic, the USSR, the Socialist Federal Republic of Yugoslavia, the People's Republic of Bulgaria and so on, the organization of an agroindustrial complex in Somalia (an action in the process of starting), the granting of assistance and the furnishing of biological material for introducing and developing the cultivation of oil-bearing plants in Iran, Morocco and Venezuela, and the granting of technical assistance in Algeria for the development of agriculture. Joint companies in the field of vegetable production operate in the People's Republic of Congo, Zaire and Libya--and, in the latter country, also for zootechnical production and the execution of hydrotechnical-amelioration work. The participation of the Ministry of Agriculture and the Food Industry in forming the registered capital of these companies has been done both in kind (in the form of studies, designs, tools and equipment) and in currency. In addition, the Romanian party has made and makes, for these companies, deliveries of goods (tools, equipment, materials, supplies, biological material and so on) and provides technical assistance in the management and operation of these units.

The economic and production results obtained by most of these units demonstrate the superiority of this form of cooperation, with some joint companies constituting standard units for the agriculture of the countries in which they were created. At present, negotiations on the organization of new joint companies for agricultural production with other partners are also in progress.

The Transfer of Technologies and Experience

Another important aspect of the international cooperation in the field of agriculture and the food industry has as a purpose the promotion of the transfer of technologies, as part of joint actions of research and sharing of documentation and experience, having as a basis the agreements, protocols and conventions concluded both with socialist countries such as Bulgaria, Czechoslovakia, the Democratic People's Republic of Korea, the GDR, Yugoslavia, Poland, Hungary, the USSR and Cuba and with other countries such as Belgium, France,

the FRG, Italy, Holland, the United States, Israel, Turkey, Argentina, Venezuela, India, Denmark and England.

The main forms of scientific and technical cooperation in the field of agriculture and the food industry have been materialized in the performance of scientific research in collaboration on problems of mutual interest, for combining the internal and external factors with a view to speeding up technical progress, technical and experimental cooperation for the reciprocal introduction of advanced production technologies for various crops, the production of seeds and hybrids of corn, sunflowers and technical plants in cooperation, a reciprocal exchange of technical documentation and agricultural information and publications, reciprocal deliveries of seeds and planting stock, breeding animals and so on.

In the field of scientific and technical cooperation, we are pursuing further the intensification of the participation in the implementation of joint programs for scientific and technical research and development, the formation of temporary staffs for joint research, participation in international centers for coordination of scientific research, and the joint utilization of patents belonging to one of the partners. We are involved in the performance of joint research on the development and utilization of new and regenerable sources of energy--biomass, solar energy and wind energy. The expansion of the collaboration on the creation of national centers for training and improvement of personnel and the strengthening of the existing ones, as well as the founding of international centers for the promotion of scientific and technical collaboration, represent an important direction. In this regard, we mention that at the Conference on the Economic Cooperation of the Developing Countries in the Agricultural and Food Field of the Group of 77, which took place last year in Bucharest, it was decided, on the Romanian party's initiative, to designate the Fundulea Research Institute for Cereals and Technical Plants as a reference center specializing in research and experimentation on the newest techniques and technologies for raising animal and vegetable production for the developing countries.

On the basis of the experience gained, Romania intends to intensify its cooperation on work of raising the land's production potential--the construction of irrigation and drainage systems, the combating of soil erosion, the utilization of sand and saline soil--on the creation of varieties and hybrids of plants and lines of animals with high yields, on technologies and the furnishing of studies, designs and equipment for the organization of agrozooindustrial units, including in the form of joint companies for agricultural production, and on the granting of technical assistance and the training of personnel.

12105
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ROMANIA

EFFORTS TO IMPROVE FURNITURE QUALITY, INCREASE EXPORTS

Bucharest REVISTA ECONOMICA in Romanian No 9, 1 Mar 85 pp 13-14

[Article by Floarea Alecu: "Romanian Furniture Exportation--Quality, Competitiveness, Efficiency"]

[Excerpts] It can be said that, at present, the Romanian furniture industry is largely specialized for exportation; the proportion of exports in the total production of the branch is about two-thirds (nearly double that in other industrial sectors).

Under these conditions, the firm application of the new economic and financial mechanism presupposes, above all, the systematic, continual studying of the evolution of the demand on the foreign market, with a view to the continual renovation and adjustment of the manufacturing programs to the real demand and of the forms of marketing to the practices on the world market.

On the basis of the large amount of investment funds allocated to this branch, the country's furniture production in the years of socialism has increased 250-fold, with Romania now being in 14th place in the world as a furniture producer and in 9th place among the big world exporters. At the same time, the extremely brisk rate of growth from one year to another in the volume of exportation signifies the macroeconomic choice of advanced utilization of the natural, labor and fixed-asset resources that this sector possesses. In the 1965-1984 period, furniture production rose about 3-fold on a world level, but it rose about 6-fold in Romania. The Romanian furniture exported by the Tehnoforestexport foreign-trade firm has distinguished itself both on the European market and on the other continents.

A Strategic Objective: the Beneficiation of Wood

On the foreign market, the Tehnoforestexport ICE [foreign trade enterprise] represents over 50 big wood-processing enterprises, which produce a wide range of types of furniture (classic, modern, rustic, Colonial), in various structures, from pieces of small furniture to complex, multifunctional sets.

In recent years, sets of furniture from nearly all the great classic styles have been delivered to foreign partners: Renaissance (Spanish, Italian and French), the French styles (Regence, Empire, Baroque, Rococo and Louis XIV,

XV and XVI), the English styles (Regency, Sheraton, Chippendale, Adams, Tudor, Victorian, Windsor), the German styles (Gothic, Altdeutsch), Flemish styles, an American Colonial style and so on. Modern furniture for dwellings and offices, restaurants, living rooms and so on, prefabricated houses, sporting goods, musical instruments and other wooden articles to order are added to them.

Comparing the characteristics of the consumption on our main export markets--especially on a convertible-currency basis--with the current structure of the exportation, it is possible to draw a number of extremely interesting conclusions from the viewpoint of the export strategy. It is thus possible to identify new market segments, which presuppose, however, structural changes in the industry's export supply and sometimes even changes in the conception of what furniture exportation means. Such marketing studies have indicated the necessity of diversifying the supply for the furniture groups with a developing market, such as upholstered furniture, classic-style furniture with intarsia and carving, modern sectional furniture of certain pinewoods with special finishes for dwellings and offices, furniture for children, wooden garden and camping furniture, metal and plastic furniture for offices, medical institutions, the garden, camping and motor vehicles (automobiles, trucks, buses, airplanes and ships), audio and video furniture and so on.

In carrying out these tasks--which condition the fulfillment of the export plan--it is necessary to start from the conception of furniture exportation as complex exportation, incorporating--besides the wood produced by the wood industry--cloth and fabric produced by light industry, plastic, dyes, lacquers and paints produced by the chemical industry, metal parts and accessories and aluminum sections produced by the metal-processing industry and of course--last but not least--the work of the creator, of the designer of furniture.

It is true that each of these materials or products can also be exported separately--wood, furniture fabric, plastic, dyes, lacquers and paints, aluminum, furniture metalwork--but no special demonstration is necessary in order to understand that the exportation of all these materials is much more efficient in the form of furniture exportation, as a complex delivery, which makes more advanced use of the components, adding to them ordinary processing work enhanced by creation.

The shaky economic recovery on the Western markets and the maintenance of unemployment and interest at a high level are putting their imprint on the evolution of the demand for durable goods--furniture, in this particular case--increasing the competition and the recourse to tariff and nontariff barriers. Under these conditions, the fulfillment of the export tasks and the raising of the branch's contribution to the country's valuta receipts presuppose the utilization of all these outlets, identified by marketing studies, through the advanced utilization of wood and all other components of furniture.

If we were to take the case of upholstered furniture, which is extremely profitable from the viewpoint of wood consumption, we find that the problem of providing furniture fabric in the quantity and quality required by the exporters, synthetic wadding and so on has dragged on for many years. Likewise, in

the case of metal furniture, instead of exporting raw aluminum, it would be much more profitable to process it into furniture and to export it in this form. But in order to do this it is necessary to provide detachable sections, translucent plastic, sliding rollers and rails, hinges, magnetic fasteners and so on.

The only resource for which the problem that it is unavailable cannot be posed is the activity of creation. However, in finding a place on foreign markets it comes up against either the conservatism of partners who stick with the models tested and verified on the market from the viewpoint of consumer preferences or the lack of receptiveness of producing enterprises. The advantage of creating exclusive models of the Romanian furniture industry resides in the functional technological solutions adopted, in their feasibility and efficiency from the viewpoint of material consumption and, on a commercial plane, in the limitation of the competition, leading on the whole to greater competitiveness for the products.

Of course, the problem of modernization and redesign is posed for all categories of furniture, as a way to reduce material consumption, to raise the degree of utilization of raw material by obtaining products of a high qualitative level, for keeping in step with fashion, with the evolution of the consumer behavior on the market. The ignoring of the specific character of the demand on the foreign market by creating models of artisanal and historical inspiration (for example, the Dracula "style"), although they have an excessive consumption of raw material, has proved unsuccessful on some export markets. Instead, modern, modular furniture, regardless of use (in dwellings or offices), regardless of raw material (wood, metal, plastic), cannot be conceived without the decisive contribution of design.

The Marketing Strategy

In the case of furniture too, as for many other consumer goods, there is still a big gap between the prices paid by the foreign importer and the retail price on the respective market. Claims for rebates for reconditioning, redistribution, commissions and so on are often added to the high distribution expenses.

The founding, on the main export markets, of joint marketing companies that would concentrate their activity with priority on the importation of furniture from Romania, securing the penetration of Tehnoforestexport onto new market segments, can constitute a way to reduce the distance from the exporter to the foreign market and, at the same time, to close the above-mentioned gap. Of course, it is a question of partners well known on the market--especially for the furniture groups not now promoted much--with direct ties to the prestigious chains of stores on the respective markets. The cooperation could also extend to the field of production, in the sense of providing in counterpart supplemental imports, an exchange of documentation and technical assistance in design, and the performance of service on the foreign market in unloading, assembly, remediation after transportation, and reshipment.

The presence on the market through business offices of the foreign trade enterprises in this field would constitute another way to intensify the activity

of prospecting and promotion, to carry out a penetrating strategy for all groups in the trade in construction materials and furniture, sporting goods, musical instruments and so on. The cost of the commercial services performed both by the joint companies and by the business offices can easily be covered in the price levels that they would obtain.

The quality of our furniture production, considered among the best in the world, should also find its reflection in the promotional material printed by our producing enterprises (the quality of the photographs--color, dimensions, the setting in which the furniture is presented, the topicality of the pictures), now often inferior to the promotional material of producers of merchandise of much poorer quality. Many new models are not included in the catalogs and folders, a matter that hinders greatly the performance of the negotiations both in the country and abroad. Some adjustments are also necessary in the policy of presenting samples, in the sense of abandoning the outmoded "prestigious" exhibits, without any chance of getting contracts, both in the own shows of the enterprises and at the fairs for samples, in favor of new models, of current commercial interest, especially from the groups that we intend to promote in the future: modern furniture, upholstered furniture, office furniture and other assortments still poorly represented in the structure of our exportation.

12105

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YUGOSLAVIA

CONFERENCE ON ROBOT DEVELOPMENT HELD IN OPATIJA

[Editorial Report] The first Yugoslav conference on robots held 10-12 April 1985 in Opatija ended with the adoption of conclusions which noted Yugoslavia's "dangerous" lag in this field. The 13-15 April 1985 issue of PRIVREDNI PREGLED (Belgrade, page 12) said that the development and production of equipment for robots and robot production in Yugoslavia had started but "development work is so inadequate that qualitative results cannot be evaluated, research is fragmented, good information between research institutes and associated labor is insufficient, and there is no cooperation." As a result, conference participants supported the view that a joint Yugoslav research development project in this field should be formed to set goals needed to coordinate the division of labor in robot production, the import of robots, and development of robot technology with foreign partners. A council was formed to initiate this joint project.

The above paper reported on 28 March 1985 (page 1) that at present only six robots of the "lowest category" are being used in economic production; namely, in the Energoinvest, Ivo Lola Ribar, Crvena zastava, and Gorenje plants, as well as the Ravne Ironworks, with Iskra expected to introduce three robots soon in the production process in its plant in Trbovlje. Specialists from Ravne, Energoinvest, Gorenje, the Jozef Stefan Institute, Iskra, and the Institute for Welding discussed the results and implications of introducing robots in the production process, especially in heavy work, in large-series production in foundries, in appliance, electronics, and automobile manufacturing plants, as well as in welding, and in other industrial branches employing many unskilled and semi-skilled workers. It was noted that development of a robot system would cost between 50 million and 100 million dinars, assuming an already-acquired knowledge base.

According to the 12 April 1985 issue of PRIVREDNI PREGLED (page 12), most of the papers read at the conference were from Slovenia where most of the work in this field is being done. A report of the Ljubljana Institute for Market Economy and Organization was cited at the conference which said that in 1982 there were about 37 robots in Yugoslavia, while today there are about 40 to 50 in 9 branches of industry and mining. Danijel Jurijevic of the Yugoslav Economic Chamber (one of the sponsors of the conference) stressed that the number of organizations interested in robot production and the number of developed prototypes already exceed the possibility of applying them.

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YUGOSLAVIA

BRIEFS

BIOTECHNOLOGY CONFERENCE--In opening the first Yugoslav conference on "Genetic and Biochemical Engineering in Biotechnology" on 8 April in Belgrade, Borisav Srebric, vice president of the Federal Executive Council, said that research in this field should be one of the basic forms of strategy of our technological development. This 3-day meeting attended also by scientists from other countries should stimulate the defining of the entire program of biotechnical research; our country has the necessary scientific and other personnel for this work. Srebric noted the importance of forming a top-level scientific cadre, continual development of the fundamental science, good selection of technological research, and continuing financing, because biotechnical research should be one of the areas of our technical development which unites the efforts of the entire country. In the next medium-term plan we should develop new biotechnology which would be materialized in export-oriented, quality production. The uniting of efforts in achieving new knowledge, new technology, new production, export, and higher income probably requires the formation of a consortium of responsible scientific organizations, economic organizations of associated labor, etc. Branislav Ikonc, president of the executive council of the Serbian Assembly, said the importance of this research is seen as natural resources are being depleted, and genetic engineering is a chance for producing food, raw materials, and energy without the large investment in production capacities needed, for instance, in the chemical and other industries. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9 Apr 85 p 1]

POOR QUALITY GOODS--Last year goods valued at 2.788 billion dinars were exported and returned from foreign countries because of poor quality. These goods were valued as follows (in million dinars) returned to the republics or provinces indicated: Serbia proper 932; Slovenia 583; Croatia 371; Vojvodina 301; Bosnia-Hercegovina 259; Macedonia 176; Kosovo 145; and Montenegro 20 million dinars worth of goods. A list has been drawn up of 27 organizations which account for two-fifths of the total value of returned goods; it is headed by two Novi Sad organizations which account for 225 million dinars worth of returned goods. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9 Apr 85 p 3]

SLAUGHTERING, MEAT STOCKS UP--Last year, 1,303,500 tons of livestock was slaughtered in socialized slaughtering houses alone, or 12.5 percent more than in 1983; this includes increases of 8,000 tons of beef, 113,000 tons of meat from pigs, and 26,000 tons of poultry, totaling 147,000 tons. The production of concentrated feeds is declining because farmers cannot afford to buy, while

slaughtering facilities are filled with meat because consumers cannot pay the high prices. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 11 Apr 85 p 11]

DECLINING LIVING STANDARD--In the last 5 years real personal incomes have declined 34 percent; their share in the social product in 1982 was 32.5 percent and in 1984 it was 27.7 percent. According to an estimate of the Federal Committee for Labor, Health, and Social Welfare and the Trade Union Federation, in December 1984 a 4-member family needed a minimum of 39,642 dinars per month, yet the average personal income paid in November 1984 amounted to 27,559 dinars. At the same time 65 percent of those employed have below-average earnings. In addition, there are 1.9 million pensioners who were subject to a 15-percent real decrease in pensions last year, compared to the 7-percent reduction in personal incomes last year. It is also estimated that there are about one-half million families without an apartment. In the first 9 months of 1984 apartment construction declined 18 percent below the same 1983 period and funds for new housing also declined. [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 1 Apr 85 p 24]

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